Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy .... L 1700	S. Arabia .. Rls 6.00
Belgium ... BFr.38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain .... Pta 100
Cyprus ... Mils 600	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon .. £L 6.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.00
Finland .. Fmk 5.50	Malaysia .. Rin 4.25	Taiwan ... NT $65
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 180
Greece ..... Dr 60	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.60
India ..... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,418 Monday September 10 1984 D 8523 B

Mrs Gandhi brings down a heavy hand, Page 14

NEWS SUMMARY

GENERAL

Renewed rioting in S. Africa township

South African police fired tear gas and rubber bullets to quell fresh rioting in Sebokeng township, one of three black areas south of Johannesburg where 32 people have died in violence over the past two weeks.

Police said protesters stoned police vehicles and set up roadblocks in the township. Several vehicles were damaged but there were no reports of injuries.

The conflict came as blacks in several townships buried some of the first victims of the riots. In Wattville, eastern Johannesburg, more than 1,000 people attended the funeral of a six-year-old boy shot dead by police just over a week ago. **Tension may widen, Page 16**

Hyderabad curfew

Four people were stabbed to death and 50 injured in violence that led to a curfew being imposed on the southern Indian city of Hyderabad, and the army being called in. **Page 3**

China typhoon

Typhoon Ike, which ravaged the Philippines last week, has caused havoc in southern China. A total of 13 people were missing at sea off Beihai city after hurricane-force winds swept the coast.

Soviet inefficiency

Collective and state farms around Moscow were criticised in the official daily Pravda for inefficient use of investment, technological backwardness and complacent management.

Nazis arrested

Three known neo-Nazis and 10 other people were arrested in West Berlin at a meeting to set up a secret extreme right-wing organisation.

Argentine talks

Argentina's Radical Government began a new round of talks with both sides of industry in a renewed attempt to secure a broad agreement on a prices and incomes policy. **Page 3**

Chile warning

General Rene Vidal, commander of Santiago's military garrison, gave a warning that Chilean authorities would impose special security measures tomorrow when Gen Augusto Pinochet's regime celebrates its 11th year in power. **Page 3**

N-cargo threat

Sunken French freighter Mont Louis might break up with its nuclear cargo if rough weather continues to prevent salvage operations.

Merger rejected

British Social Democratic Party leader David Owen rejected any merger with their Liberal Alliance partners before the next general election. **Page 8**

Dali worsens

The condition of Spanish surrealist painter Salvador Dali, operated on in Barcelona for serious burns, worsened and doctor said he showed signs of breathing difficulties.

Film-maker dies

Turkish film maker Yilmaz Guney, who escaped from a Turkish jail in 1981 after being convicted of murdering a public prosecutor, died in a Paris hospital aged 47 after a 10-year illness. He won the 1982 Cannes film festival top award for Yol (Road).

Lauda wins

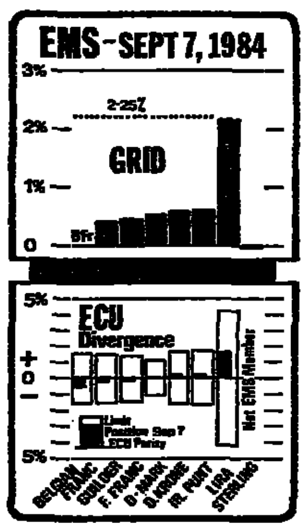
Niki Lauda of Austria steered his McLaren to victory in the Italian Formula One Grand Prix motor race.

BUSINESS

Regan acts on bearer bonds

U.S. TREASURY Secretary Donald Regan decided to ban the issue of government-backed securities in bearer form, in order to prevent tax evasion by American citizens. **Page 16**

EUROPEAN Monetary System was kept quiet and steady last week amid an attack on the D-Mark in-



volving some heavy selling of the currency to buy dollars. The lira increased its lead at the top of the system, but the key to EMS stability remains the D-Mark, and the West German unit was very weak. That allowed central banks in Belgium and Denmark to increase their holdings of D-Marks and see their own currencies gain ground. The Belgian franc remained the weakest member of the system, but was under no pressure, while the Danish krone moved above the Dutch guilder and French franc.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

BRITAIN'S trade with Spain sank into a deficit of £211.7m ($269.6m) in the first half of this year against a surplus of £147.1m in the same period last year, largely because of a sharp rise in UK imports of Spanish-made cars. **Page 8**

LAIRD GROUP of the UK, with interests covering transport systems, motor components, engineering products and service industries, lifted first-half pre-tax profits from £9.52m to £10.86m ($13.83m). **Page 20; Lex, Page 16**

LONRHO resumed its battle for influence at House of Fraser, the Harrods stores group, by urging shareholders to vote against the re-election of Prof Roland Smith as chairman at the annual meeting this month. **Page 20**

HONG KONG trade commissioner Hamish McLeod indicated that textile manufacturers who defied tough U.S. curbs on textile imports and stuck by existing bilateral agreements would get government backing. **Page 8.**

CONSTRUCTION contract worth $164.4m ($76.1m) for the main depot of Singapore's mass rapid transit system was won by a Japanese-Singaporean joint venture, beating international contenders. **Page 8**

We apologise to readers, advertisers and the distributive trade for the shortfall in supplies of the Financial Times on Saturday. That was the result of production difficulties in London which severely curtailed the print run.

Production difficulties in London may also have resulted in typographical errors in unit trusts, some advertisements and elsewhere in today's edition.

French budget set to put squeeze on public spending

BY DAVID HOUSEGO IN PARIS

THE SOCIALIST Administration of M Laurent Fabius, France's new Prime Minister, will announce the tightest squeeze on public spending of the post-war period in its first budget on Wednesday.

For the first time for at least a decade, state expenditure in 1985 will rise more slowly than the growth in gross national product (GNP) reflecting President François Mitterrand's determination that the state should absorb a diminishing portion of the national wealth.

Nominal public expenditure is scheduled to rise by a little more than 6 per cent. That would represent a marginal increase in real terms, if the optimistic target of bringing the 12-month inflation rate down to 4.5 per cent by the end of 1985 were realised.

But, in part because of the dramatic ascent in servicing charges on the Government's domestic debt, savage cuts are having to be made in both public consumption and investment outlays. Debt servicing payments will rise by 25 per cent this year to absorb 6 per cent of the consolidated public expenditure, or double the level in 1978.

The Government had hoped to contain the increase in debt payments in 1985 to 6 per cent by forcing down domestic interest rates, but the rise in U.S. rates has made this increasingly difficult.

The cuts in both current and investment spending have provoked outcries from some ministers and were one of the reasons for the Communists' decision to quit the ruling coalition with the Socialists.

The Communists are expected to vote against the 1985 budget in the National Assembly. It would be their first vote against the Government on an important issue. M Georges Marchais, their Secretary General, called the budget a "bad" one.

The budget calculations are built around President Mitterrand's pledge to lower tax and social security contributions by 1 per cent as a proportion of GNP next year, while maintaining the ceiling on the budget deficit at 3 per cent of national output. President Mitterrand's aim is to demonstrate that the Socialists can reverse the trend of rising taxation.

Even among officials, however, there is scepticism on whether, in reality, those two objectives can be achieved. The deficit as a proportion of GNP will have risen this year to 3.5 per cent (about FFr 150bn or $16.6bn) after 3.3 per cent last year.

Last-minute bargaining by ministers at the weekend was aimed at reducing the expenditure cuts by seeking new sources of revenue. A proposal to raise a further FFr 15bn in indirect revenues by increasing the tax on petrol was fiercely resisted by the motor lobby because of the already depressed state of French automobile sales.

The political logic behind the budget is to hold fast to the Government's anti-inflationary programme for another year before relaxing and providing some stimulus to the economy in the six months before

Continued on Page 16

Inflation and growth in the EEC, Page 4; Reappearing EEC demons, Page 15

Bulgarian leader calls off W. German visit

BY RUPERT CORNWELL IN BONN

THE Soviet-promoted diplomatic freeze of West Germany intensified yesterday as Mr Todor Zhivkov, the Bulgarian leader, abruptly called off a visit he was due to make to Bonn from September 19.

The announcement of the "postponement" of Mr Zhivkov's long-planned four-day visit comes less than a week after Herr Erich Honecker, the East German leader, bowed to fierce Soviet pressure and put off his journey to West Germany that had been scheduled for September 26-30.

News of this fresh disappointment for the Bonn Government came in a brief statement yesterday. A spokesman for Chancellor Helmut Kohl regretted the Bulgarian decision, but confirmed West Germany's desire to continue dialogue and co-operation with Eastern Europe.

There can be little doubt that Moscow was instrumental in forcing the change of heart by Mr Zhivkov, who for 30 years has been the Kremlin's most faithfuly ally in the Soviet bloc.

Not only is the Bulgarian Government said to blame the "international situation" for its move, but it came immediately after a trip to

Mr Todor Zhivkov

Sofia by Mr Mikhail Gorbachov, widely considered the most likely successor to the sick and ineffectual Mr Konstantin Chernenko as Soviet leader.

Meanwhile, the Soviet Union and Poland have stepped up even further the vilification of West Germany that indirectly led to Herr Honecker's deciding not to go ahead with his visit.

The Soviet newspaper Pravda yesterday carried a biting cartoon and an article accusing Chancellor Kohl of "goading on" West German "revanchists." Similar charges have again been levelled by the Polish media to mark the 45th anniversary of Hitler's invasion of Poland, which started the Second World War.

Bonn's planned autumn of dialogue and top-level contact with East European leaders has thus been reduced to a visit to Bonn by Mr Nicolae Ceaucescu, the independent-minded leader of Romania.

However, the Bulgarian postponement, and the reason given for it, will make it easier for Herr Kohl to fend off charges by his domestic political opponents that clumsy handling by the Bonn Government caused the decision to call off the Honecker visit, which has acquired immense symbolic importance in West Germany.

Indirectly, moreover, it confirms the belief of many top officials in Bonn that the East German leader is as keen as ever to visit West Germany as soon as the circumstances are more conducive.

Peres faces Labour revolt

BY DAVID LENNON IN TEL AVIV

MR SHIMON PERES, Israel's Prime Minister-designate, is facing a serious revolt within his own Labour Party against the terms of the agreement which he reached with the right-wing Likud bloc, on forming a broad-based coalition government.

Labour Party members are dissatisfied over both the decision to allow the Likud to hold all the key economic portfolios in the new government and the appointment of the Likud's controversial Mr Ariel Sharon to a senior Cabinet post.

Although Mr Peres's supporters are expected to outvote his critics, the revolt by more than a third of the party underlines the potential instability of the proposed national unity government.

Mr Yitzhak Shamir, the Likud's outgoing Premier, has also been facing trouble from members of his party, but this concerns the allocation of ministerial posts, not the terms of the agreement.

The agreement between Labour and Likud on establishing a broad-based government, *following the* inconclusive outcome of the general election in July, was achieved in six weeks of negotiations. Developments over the weekend threatened the collapse of the entire arrangement.

Hundreds of Lebanese Christians have fled to Israeli-occupied southern Lebanon as Christian and Druze forces battled in the strategic Kharroub region south-east of Beirut. Israeli military patrols crossed north of the Awali River in an attempt to halt the conflict. Page 3

Mr Cad Ya'acobi, the Labour Party spokesman on economic matters, said yesterday that it was "absurd" that Labour, which had fought the election campaign primarily against the Likud's economic failures, had agreed to leave all the economic portfolios in the new government *in the hands of Likud.*

The appointment of Mr Sharon as Industry Minister is inconceivable for many in Labour. They argue that their party should not help to rehabilitate the man who was forced out of the Defence Ministry because of his role in the massacre of Palestinian refugees in Beirut in 1982.

Mr Peres faced more trouble yesterday when Mr Ezer Weizman, leader of the small Yahad Party, *threatened to withhold support for* the coalition unless his demands for tax reform and a halt to funding for Jewish settlements in occupied Arab territory were incorporated in the government policy guidelines.

Mr Weizman, a former Likud Defence Minister, was instrumental in blocking a new Likud-led coalition by pledging his support for a Labour-led coalition.

As many as 35 per cent of the members of the Labour Party central committee are threatening to vote against the coalition agreement today.

Slight dip forecast in quarterly growth for U.S.

By Stewart Fleming in Washington

LEADING U.S. economic forecasting organisations expect the American economy to continue expanding relatively strongly in the third quarter of this year, although the pace of real growth is widely predicted to ease back from the 7.6 per cent annual rate reported for the second quarter.

Typical of current forecasts are projections from such groups as Data Resources, Chase Econometrics and Goldman Sachs, which all expect third-quarter real gross national product to rise by more than an annualised 5 per cent.

The Commerce Department's first "flash" estimate for the third quarter is due to be released on September 20 and, if these expectations are borne out, President Ronald Reagan seems virtually assured of moving into the November election with the economic platform for his campaign based firmly on data showing strong economic growth, moderate inflation, big gains in employment and rising consumer disposable incomes.

In contrast to earlier projections, few economists now expect output in the U.S. to drop sharply in the third and fourth quarters.

Last month, data showing two consecutive monthly declines in the index of leading economic indicators, a statistical series designed to foreshadow economic trends – coupled with signs that consumers' thirst for new purchases was slaked and with evidence of an easing in the price of new orders for capital equipment – encouraged some economists to predict a sharp slowdown *in the economy in the second* half of the year.

Some speculated that lower economic growth of as little as 2 to 3 per cent would reduce public and private credit demands and spur the Federal Reserve Board to relax its monetary policy and reduce interest rates.

Now, however, economists such as Ms Rosanne Cahn, senior economist at Goldman Sachs, point to strong gains in industrial production in both June and July, healthy growth in personal income, and anecdotal evidence that retail sales, a volatile indicator, have begun to revive after the summer pause. She suggests that those signs show there is still considerable momentum in the economy.

Continued on Page 16

Regan bans issue of government-backed securities in bearer form; see also Lex; Page 16

Mexico to pay at least $1bn of principal

BY PETER MONTAGNON IN LONDON

MEXICO is to repay up to $1.5bn in principal to its commercial bank creditors this year under the terms of its new $48.7bn debt rescheduling deal, details of which were finalised in New York over the weekend.

The money repaid will go to reducing the balance of the $5bn jumbo loan granted by the banks in 1983 as part of the first emergency rescue package assembled to help Mexico to overcome its $80bn debt.

Bankers believe that the repayment of principal demonstrates that Mexico is now well on the way back to financial health. It should help Mexico to regain normal access to borrowing in international credit markets once the new rescheduling deal is signed.

Mexico has made a firm undertaking to repay $1bn this year with a commitment to an additional $500m repayment if that can be met without putting too much strain on the country's $7bn foreign exchange reserves.

The complex deal announced at the weekend was described as "the largest commercial bank rescheduling ever undertaken," by Mr William Rhodes, the senior Citibank executive who chairs the bank's negotiating committee on Mexico.

Sr Jesús Silva Herzog, Mexico's Finance Minister, said the agreement in principle demonstrated Mexico's continuing commitment to sound economic policies "which assure both the fulfilment of debt obligations and the resumption of growth."

Under the proposals, public-sector debt totalling $20.1bn that matures between next year and the end of 1990 will be refinanced over 14 years. Repayments will start after a grace period of one year.

In addition, the $23.6bn of Mexican debt that has already been rescheduled will be repackaged into a new deal with final maturity in 1998, although repayment will start as previously planned in 1987.

As already announced, creditor banks have agreed to drop the interest margin over the expensive U.S. prime rate. Margins over Eurocurrency or comparable domestic money market rates will be ⅞ per cent for 1985 and 1986, rising to 1⅛ between 1987 and 1991 and then to 1¼ per cent for the remaining life of the deal, which lasts until 1998.

Meanwhile, terms of the remaining balance of the $5bn loan will be adjusted to reduce the margins by up to 1 percentage point. The new margins of 1½ per cent over Euro currencies or 1⅛ per cent over U.S. prime will be the same as those relating to this year's $3.8bn deal, and its maturity will similarly be lengthened.

Bankers say the terms of the new proposals, which are to be sent shortly to all the country's creditor banks, represents an elaborate compromise reached in some seven weeks of negotiation.

Mexico has won its controversial bid to reopen existing rescheduling agreements, but in return has agreed to speed up principal repayments. It has also reluctantly undertaken to participate in a procedure for economic consultation with the International Monetary Fund and creditor banks once the present IMF programme expires next year.

A statement issued by Citibank on Saturday made clear that that was an essential condition for revising existing debt agreements, but it is not yet clear how the monitoring procedure will work and there is opposition from some groups in Mexico, notably labour unions, to what is regarded as outside interference in the country's economic affairs.

Britain's coal talks end

BY JOHN LLOYD, INDUSTRIAL EDITOR, IN LONDON

TALKS BETWEEN Britain's National Coal Board (NCB) and the National Union of Mineworkers (NUM) ended after less than two hours last night.

Mr Ian MacGregor, NCB chairman, said as he left the meeting in Edinburgh: "All meetings are successful – some are more successful than others."

Mr Mick McGahey, NUM vice-president, said: "There is no comment. That is finished for tonight. I am saying nothing."

Meanwhile, a leader of more than 1,000 dockworkers at Southampton indicated last night that his members would reconsider their support *for the national dock strike if there* was at large-scale return to work today in the Port of London.

The coal talks opened a week that will see a succession of gatherings called to explore the potential for organising support for the mine-

Continued on Page 16

Coping with dock strike, Page 8

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OVERSEAS NEWS

Study on EEC electronics sector

BY PAUL CHEESERIGHT IN BRUSSELS

EUROPEAN trade unions are to press their governments to take a very cautious approach to opening up public purchasing policies in the electronics sector.

A study made for the trade union movement and published today suggests that the presence of European companies in this sector could be weakened if public purchasing is opened up before there is greater co-ordination of European standards and production.

The European Commission has already put forward policy proposals for the greater use of common standards and the opening up of public purchasing in the telecommunications sector but so far no decisions have been taken at ministerial level.

The study shows that the trade union movement shares with national governments and the Commission a concern that European companies will be outpaced in the high technology race by the U.S. and Japan.

It is for this reason that the union study is very cautious about the growing links between European companies and their Japanese and American counterparts.

"Whilst buying in technical expertise may be a necessary short-term expedient, it cannot provide a long-term alternative to developing indigenous technology," the study says.

The unions have put their support behind the EEC's strategic research programme for information technology but argue that this does not meet a key problem: the failure of European companies to market competitively the results of their research.

For this reason the unions want greater co-operation in development and production and urge the EEC not to be tied down by the dogma of free competition. But this recommendation appears to ignore the fact that the Commission has this year legislated to exempt many joint research agreements, leading to joint production, from the EEC competition regulations.

The unions are in any case suspicious of a free market approach to the development of the electronics industry although it is conceded that the sheer size of the markets in the U.S. and Japan act as a stimulus to their industries. The aim of the Commission is to unite the EEC market and have free trade within it.

For the EEC, the study argues that the common external tariff remains an important instrument of industrial policy. But where the unions would part company from both the West German and the British Governments, whose attitude is crucial in determining the outcome of a common policy for the electronics industry, is in advocating more protection.

"For vulnerable products there is a strong case for temporarily suspending the process of reducing customs duties" the study says.

European Industrial Policy for the Electronics and Information Technology Sectors; European Trade Union Institute, Brussels, BFr 700.

Andriana Ierodiaconou assesses prospects for a settlement

UN tries again to bring peace to Cyprus

IT'S THE BEST of times and it's the worst of times for the Cyprus problem. Today in New York, Sr Javier Perez de Cuellar, the UN Secretary General, will launch the negotiations he has worked hard to bring about between the divided Greek and Turkish Cypriots.

One third of Cyprus has been occupied by Turkish troops since they invaded the island in 1974 after the Greek junta staged a coup against the government of Archbishop Makarios. In the last decade a lot of enthusiasm and goodwill has flowed irretrievably under the political bridge.

But the two sides do at last appear to be serious about negotiations. Representation will be on the highest level, with both Cypriot President Spyros Kyprianou and Mr Raouf Denktash, the Turkish Cypriot leader, attending. Sr de Cuellar's peace effort also reportedly enjoys the active support of both Washington and Moscow.

The cynical view of the U.S. interest, sometimes voiced in Nicosia, is that it is ephemeral, calculated only to win U.S. President Ronald Reagan Greek-American votes in November. Greek Cypriot officials, convinced that there can be no solution without American influence being exercised on the Turkish side, say their greatest fear is that diplomatic momentum will fizzle out after the U.S. elections.

U.S. officials say the exercise is all about reducing Greek-Turkish tensions in Nato—Athens and Ankara came to the brink of war in 1974 and Cyprus remains the major problem in their relations—and that Washington's interest will stay the course.

Sr de Cuellar is believed to have received assurances of Soviet support during a summer visit to Moscow. The Soviets have happily sat back and watched Cyprus act as a thorn in Nato's flesh for the past 10 years, but they are thought to be concerned that the de facto division of the island might harden into permanent partition between Greece and Turkey.

In Soviet eyes this would constitute the "triple Natoization of Cyprus. Britain has maintained sovereign bases there since 1960, when colonial rule gave way to independence, and both Greece and Turkey are members of Nato.

Closer to home, Athens and Ankara have both responded favourably to the UN initiative. Mr Constantine Karamanlis, the Greek President, who now seems to be setting Athens policy on Cyprus, is firmly in favour of a negotiated settlement under UN auspices.

On the Turkish side, officials say that Cyprus complicates Ankara's political and economic relations with the West, particularly with the EEC, and that it is a headache which the Ozal administration would be happy to do without. Though the official Turkish line stresses that Mr Denktash is his own man, it is clear this autonomy has limits.

"I am sure that if a solution is reached which pleases many countries, Mr Denktash will not wish to be isolated," one Turkish official commented blandly.

That's the good news. The bad news is that relations between the Greek and Turkish Cypriots have never been worse. The de facto political situation on the island is far removed from the single-state solution envisaged by UN resolutions and agreed upon in principle at a Makarios-Denktash summit in 1977.

The catalytic event for this deterioration was last November's unilateral declaration of an independent state in the Turkish occupied northern sector of Cyprus. Recognition for this "state" has so far only come from Turkey, and successive Security Council resolutions have condemned the Turkish Cypriot independence move as secessionist—to little practical effect.

Getting Mr Kyprianou and Mr Denktash to negotiate at all was a major feat. To achieve it, Sr de Cuellar was obliged to devise a negotiating procedure in which the two parties will not sit around the same table at the same time. This was unacceptable to the Greek Cypriots because in their view it would be tantamount to recognising the Turkish Cypriot state.

Instead, the Secretary General will shuttle between the Greek Cypriots and Turkish Cypriots leaders in New York, who will submit their views and proposals separately.

Both sides are expected to have studied a set of "working points," or preliminary proposals for an agreement on the sharing of territory and constitutional powers submitted by Sr de Cuellar in early August.

As a general framework the Secretary General has proposed a bi-zonal, federal state, as envisaged by the 1977 Makarios-Denktash agreement, adding the new idea of a transitional federal government.

The ideal end result, Sr de Cuellar stresses, is a state in which the rights of the Greek Cypriot majority (80 per cent) and the Turkish Cypriot minority are equally safeguarded, and responsibilities appropriately shared.

In the midst of all this uncertainty, diplomats who have been keeping a close track of the UN initiative say, Sr De Cuellar can rely on one thing: both Mr Kyprianou and Mr Denktash are determined not to carry the blame for a collapse of the talks. They will therefore be very loath to say "No" to anything too quickly.

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OVERSEAS NEWS

Argentine prices and income talks resume

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA'S Government began a new round of key talks yesterday with both sides of industry in a renewed attempt to secure a broad agreement on a prices and incomes policy.

The urgent need to secure some such agreement was pinpointed last week with the release of official statistics showing an increase in the consumer price index in August of 22.8 per cent, the highest recorded inflation figure since April 1976, just after the military coup.

The Government, however, appeared to be facing an uphill struggle in seeking support for its austerity measures aimed at reducing the country's world record inflation rate of 650 per cent.

The country's powerful trade union, the Peronist-controlled General Confederation of Labour (CGT), warned that its agreement to attend the talks should not be interpreted as compliance with government policy. It reiterated its demands for measures capable of reactivating the economy.

Following last Monday's general strike, the CGT leadership is coming under increasing pressure from its more militant rank and file. With union elections due next month, labour leaders fear than any concession to the Government could be interpreted as a sign of weakness.

Worker discontent has been stirred by the Government's refusal to continue with its policy of automatically adjusting wage increases to the level of inflation.

It is widely felt that last week's decision which limits wage, price and public utility increases in September to 16 per cent, will mean a further drop in real salaries. August price rises easily outpaced the wage increase of 18 per cent agreed for the month.

The Government is also facing the opposition of the main employers' federation which last Thursday night strongly condemned the Government's unilateral decision this week to extend price controls to all firms in the private and public sector. The move follows the Government's decision severely to restrict credit in the banking system.

● Developing countries ended a six-day meeting at the weekend with a call for greater co-operation to compensate for the lack of dialogue with industrialised nations, Reuter reports from Cartagena, Colombia.

Christians flee to south Lebanon

BY OUR TEL AVIV CORRESPONDENT

HUNDREDS OF Lebanese Christians have sought refuge in Israeli-occupied southern Lebanon in recent days as Christians and Muslim Druze forces battled each other in the Kharroub region, 24 miles south-east of Beirut, which separates the coastal highway from the Chouf mountains.

Israeli military patrols have crossed north of the Awali River, the Israeli front line in Lebanon, in recent days, apparently in an attempt to calm the situation

The Army said these patrols were routine and designed to prevent the area being used again by Palestinian guerrillas as a base for attacks against Israel.

It is important for Israel that the Christians hold their positions in the coastal area so close to the Israeli front line. A defeat for the Christians there would mean another setback for Israeli policy in Lebanon.

It is not likely that the Israeli forces will make any major moves before a new Israeli Government is established.

Nora Boustany adds from Beirut: Shadowy Islamic groups have threatened to strike at U.S. interests in retaliation for the U.S. veto last week of a United Nations Security Council resolution condemning Israeli treatment of residents of southern Lebanon.

An anonymous caller claiming to speak for the "Islamic Jihad (holy war)" and "Islamic Revolutionary Brigades" Saturday told two Beirut-based foreign news agencies that "very soon we shall strike at one of the vital American installations in the Middle East."

Chilean army warns of clampdown

By Mary Helen Spooner in Santiago

THE COMMANDER of Santiago's military garrison has warned that Chilean authorities would impose special security measures tomorrow when General Agusto Pinochet's regime celebrates its 11th year in power.

The government anniversary comes barely a week after Chilean opposition groups held a two-day protest against the Pinochet regime, in which at least eight people were killed and hundreds were arrested.

Gen Rene Vidal, the garrison commander, said that while the situation in greater Santiago was considerably calmer since the protest, the Government would take special steps – which he did not specify – to avoid the sort of disturbances which erupted in poor and working class neighbourhoods during the days of protest.

The Santiago military garrison has also ordered four opposition publications to cease publishing photographs and drawings and to restrict their coverage of last week's protest to the inside pages.

The offices of three of the four publications affected by the decree – Analisis, Cauce and APSI magazines – were raided a week ago by government security agents who confiscated the latest copies of these periodicals.

Cauce magazine was initially ordered to stop publishing for five weeks; the latest prohibition on photographs and drawings supersedes the earlier publishing ban.

Chilean authorities have also lifted a measure against two Santiago radio stations.

Troops move into Indian city to quell riot

HYDERABAD—The army was called into the southern Indian city of Hyderabad yesterday after at least four people were reported killed and 50 injured in communal violence.

The Press Trust of India (PTI) news agency said the army had moved into the city and an indefiniate curfew had been imposed after the trouble broke out during a Hindu procession in honour of the elephant god, Ganesh.

The violence coincided with rising political tension in the city, capital of Andhra Pradesh, ahead of a crucial vote in the state assembly tomorrow to determine which state political leader holds a majority.

Mr N. T. Rama Rao, the Chief Minister, was dismissed in August 16 by the then governor, who said he did not have a majority, and replaced by Mr Bhaskara Rao.

Mr Rama Rao's dismissal sparked protests from his supporters who accused Prime Minister Indira Gandhi of engineering it. She has denied this.

At least 25 people have died in protests in Andhra Pradesh since the dismissal.

Hyderabad has 3m people, 60 per cent Hindu and the rest Moslem.

Police said the attacks, mostly on Moslem-owned shops and hopes, began simultaneously in the middle of the procession in which thousands of Hindus carried statues of Ganesh

"It was a calculated attack on property with looting and burning," a police officer said.

Meanwhile, police have arrested more than 1,000 people and tightened security in the Punjab state capital of Chandigarh to stop a banned rally tomorrow by protesting farmers, the official All-India Radio reported yesterday. Reuter

Venezuela optimistic over debt negotiation

Sr Manuel Azpurua Arreaza, Venezuela's Finance Minister, said at the weekend that negotiations in New York to restructure much of the Government's $27.5bn (£21bn) foreign debt were moving in "a very positive direction" and that "the basis for an agreement should be reached in a short time," Joseph Mann reports from Caracas.

Venezuela and a 13-member bank advisory committee, representing some 450 creditor banks have been holding talks since July 25 on restructuring the Government's foreign obligations.

Bankers here last week said that foreign banks offered to restructure $16bn of the total over nine to 10 years at 1¼ per cent over Libor or 1⅛ per cent over U.S. prime.

Bolivian arrests

Bolivian security forces have arrested several people suspected of plotting to overthrow President Hernan Siles Zuazo this weekend, a senior government official said, Reuter reports from La Paz.

Sr Gustavo Sanchez, the deputy Interior Minister, said the suspects, whom he did not identify, were being questioned about plans to kill government officials, military officers, politicians and trade union leaders.

Iraq reprieve

Mr Taha Yassin Ramadan, Iraq's first deputy Prime Minister, was quoted by Kuwait's Al-Watan newspaper at the weekend as saying his country has temporarily suspended attacks on shipping serving Iran's main oil terminal at Kharg Island "to give a better chance to peace."

Khameini in Tripoli

President Ali Khameini of Iran arrived in Libya at the weekend after a three-day visit to Syria and was greeted by Libyan leader Col Muammer Gaddafi, the Iranian news agency Irna reported, Reuter reports.

Botswana election

The ruling Botswana Democratic Party won a powerful majority in elections for the National Assembly in one of Africa's few thriving multi-party democracies, according to results announced yesterday, AP reports from Gaborone.

Japan backs bilateral talks for North and South Korea

BY ROBERT COTTRELL IN TOKYO

JAPAN SUPPORTS bilateral talks between North and South Korea as a means of easing tensions on the divided peninsula, according to a joint communique issued at the end of South Korean President Chun Doo Hwan's three-day official visit to Tokyo.

The communique also expressed Japan's support for President Chun's proposal that North and South Korea should both be admitted to membership of the United Nations.

On the South Korean-Japan issues, the language of the communique was abstract and noncommital, containing many general expressions of intended co-operation but no new concrete proposals of significance.

Its friendly tone reflected, however, the achievement of President Chun's visit, officially the first by a South Korean President to Japan, in generating goodwill. The most significant event of the visit was a welcoming speech made by Emperor Hirohito, Japan's head of state, in which he described Japan's colonial occupation of Korea from 1910-45 as "indeed regrettable" and "unfortunate."

The Emperor's speech was aimed at exorcising historical bitterness, lingering from the occupation period, which still tinges relations between the two countries.

Japanese reaction to President Chun's visit has been generally positive, though leftist opposition parties have regretted that the improvement of relations did notalso embrace North Korea.

The Japan Socialist Party, the largest opposition party in the Diet (parliament), said it was concerned that the acceptance of both North and South Korea into the UN might serve to cement the division of that country.

Peking hopes to improve relations with Moscow

BY MARK BAKER IN PEKING

CHINA is hoping that the deadlock in Sino-Soviet relations will be broken by a meeting in several weeks between its Foreign Minister, Wu Xueqian, and his Soviet counterpart, Mr Andrei Gromyko.

Chinese Communist Party General Secretary Hu Yaobang has said that China wants to use the meeting at the United Nations sessions which begin in New York at the end of the month, to revive its stalled dialogue with the Soviets.

"This meeting might be one of the most important events at the United Nations this session," Hu told a Japanese newspaper delegation in Peking.

"China wants to use this chance to increase its contacts and talks with the Soviet Union." But he added: "We are not confident that concrete results will be achieved."

In a further indication of China's desire to ease recent tensions with Moscow, Hu predicted an almost doubling in Sino-Soviet trade next year.

He said the two countries had recently exchanged lists of goods to be traded in 1985 under the annual barter trade arrangements and the level of trade "might be four or five million (swiss) francs." This compares with a trade volume of SwFr 2.6bn ($1bn) stipulated in this year's agreement.

Sino-Soviet relations, frosty for 20 years, have been particularly strained in recent weeks with both sides making severe criticisms of the other's foreign policies and with China accusing President Konstantin Chernenko of leading an anti-Chinese campaign since he came to power.

China to cut back on construction projects

PEKING – China will cut down drastically on major new construction projects in the next five-year plan from 1986, to economise and pave the way for a forecast economic boom in the 1990s, Chief Economic Planner Song Ping said.

Experience over the past few years shows that unchecked investment in construction projects puts a serious strain on central funds and suppresses real growth, he told an annual national planning conference in Peking.

The New China News Agency said the State Planning Minister told delegates that during the five-year plan money would instead be concentrated on modernising and expanding existing enterprises.

This would save funds, shorten building time and lead to quicker returns, he said.

"The central task for the seventh five-year plan is to maintain a continued steady growth of the national economy and of people's living standards, and prepare conditions for an economic boom in the last decade of this century," he said.

Recently, China's economic leaders have said serious imbalances in the economy that were building up last year due to uncontrolled construction have been brought under control.

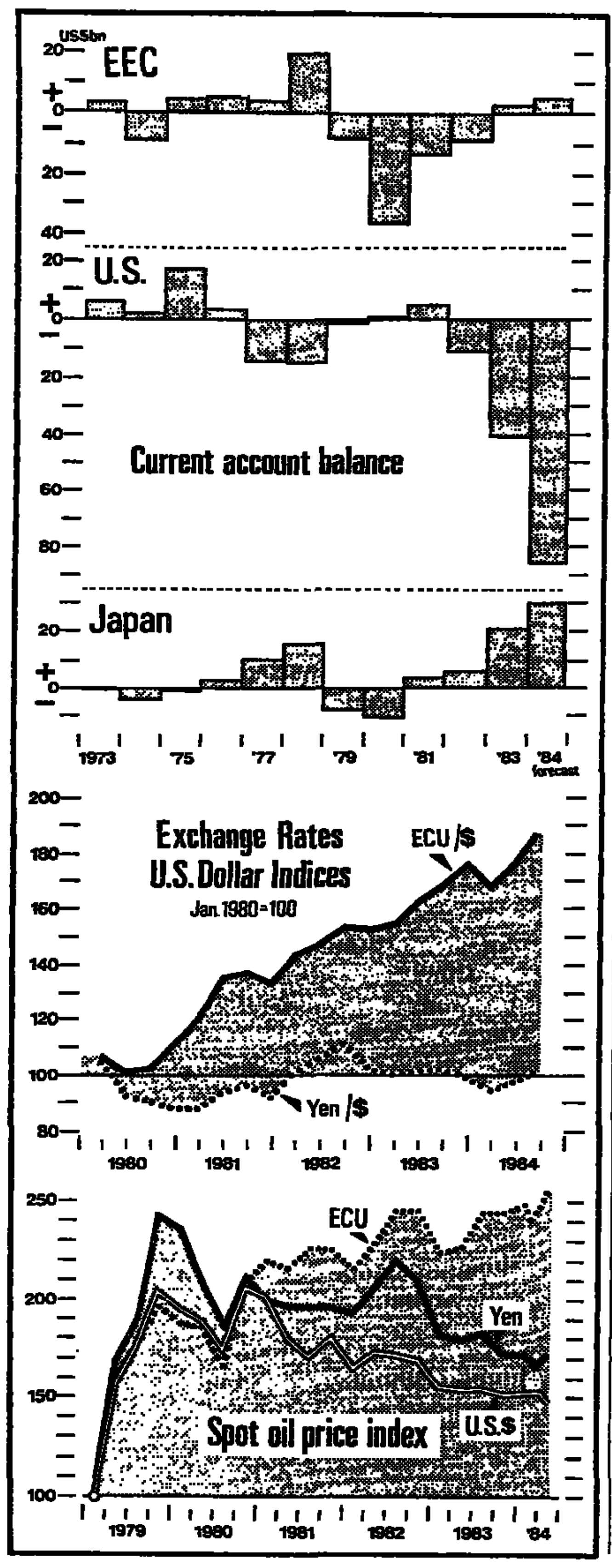
However, Prime Minister Zhao Ziyang has said the Government must still tread warily as it builds up revenues.

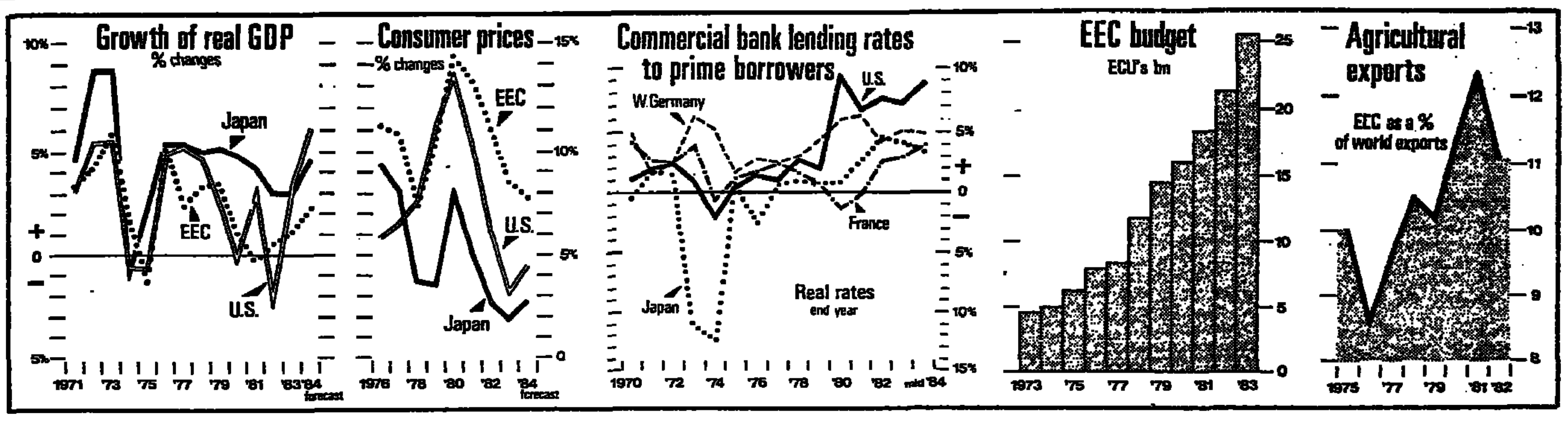
Local authorities have already requested money for 3,000 major projects over the seventh plan. "This would surely cause a serious shortage of funds and materials, and affect adversely the progress of the modernisation programme," Song said.

State funds under the current plan have been channelled into more than 100 designated key construction projects such as roads, railways, harbours and large industrial plants which the Government has defined as central to development plans.

China's currency, the renminbi, slipped another three points against the U.S. dollar on Saturday. Reuter, AP

STATISTICAL TRENDS: EUROPEAN COMMUNITY





Inflation declines but growth low

THE EEC nations have emerged from recession, but their expected growth in real gross domestic product this year, at around 2½ per cent, is substantially below that forecast for the U.S. or Japan. Inflation has fallen, narrowing a gap with the U.S., and the current account has moved into surplus with a reduction in the differences between individual member countries.

Unemployment continues to increase, however, and interest rates remain high in nominal and real terms, influenced by the high U.S. rates where the funding of the deficit plays a dominant role. Government deficits as a percentage of GDP increased over the period of the recession from 1979 to 1982, but some falls occurred last year, reducing the overall EEC figure to 5.5 per cent. By 1985, forecasts by the European Commission indicate a further fall to 4.6 per cent.

The strength of the U.S. dollar against the European currencies has helped the competitive position of the Community. EEC unit labour costs have fallen relative to competitors by around 20 per cent from 1981 to 1983, while costs in the U.S. have increased by 30 per cent.

The strong dollar has prevented EEC countries benefiting from the fall in world oil prices. In European currency unit terms, oil prices have increased by about 10 per cent over the past year.

The EEC budget has grown markedly since 1973 but represents only some 2½ per cent of national spending. Most of the spending—63 per cent—goes on the Common Agricultural Policy, which took $15bn in 1983. Continuing tensions arising from the issue of farm subsidies are set against the trend of real farm incomes. By 1981 they had fallen 8 per cent from 1975. Although 1982 saw a substantial increase in real terms, with a return to 1975 levels, a slight decline is expected when 1983 figures emerge.

The CAP has greatly reduced the need for imports of agricultural products, though the EEC is still a major importer. There has been a substantial increase in self-sufficiency in many areas, particularly milk products, cereals and sugar—leading to surpluses and a developing trade war with the U.S. in exports to third countries.

In volume terms, imports have changed little since 1972, but exports have doubled, increasing the EEC share of world agricultural exports. Imports from the industrialised British Commonwealth have fallen in relative terms, while exports to Asian, Caribbean and Pacific countries are on the rise.

EEC shares of world exports account for 10 per cent of cereals and 18 per cent of sugar. On milk products, the Ten have half the world exports of butter and cheese and between 30 and 40 per cent of world production. At the same time, though, the Community is still the world's second largest importer of milk products, taking 10 to 15 per cent of world import trade.

In an analysis of economic trends in the EEC for 1984/85, the economic department for the Commission expects the current moderate growth of GDP to slow slightly next year to an underlying rate of about 2 per cent.

Private consumption in real terms should continue to grow and real disposable income is expected to increase. The substantial fall in the rate of inflation over the past three years should continue and further improvement is expected in the current account balance.

Although there may be a modest expansion in jobs in 1985, the continued expansion of the civilian labour force will lead to a further increase in the overall unemployment rate to around 11.5 per cent.

Unemployment

%

	U.S.	Japan	*EEC
70	4.8	1.1	2.7
71	5.8	1.2	3.0
72	5.5	1.4	3.3
73	4.8	1.3	3.0
74	5.5	1.4	3.1
75	8.3	1.9	4.5
76	7.6	2.0	5.2
77	6.9	2.0	5.5
78	6.0	2.2	5.5
79	5.8	2.1	5.6
80	7.0	2.0	6.0
81	7.5	2.2	7.8
82	9.5	2.4	9.1
83	9.5	2.6	10.1
84†	7.0	2.7	10.6

* Germany, France, UK, Italy, Belgium, Netherlands.
† Estimates.
Source: OECD

Productivity

Per person employed % change

	U.S.	Japan	EEC
73	1.4	6.0	4.5
74	−2.2	−0.6	1.5
75	1.8	2.6	−0.1
76	2.1	4.4	5.1
77	1.8	3.8	2.2
78	−0.4	3.7	2.7
79	−0.9	3.8	2.4
80	−0.8	3.3	1.3
81	1.4	2.3	1.3
82	0.0	2.0	1.7
83	2.2	1.0	1.8

Source: EEC

General Government Financial Balance

% GDP at market prices

	1971	1973	1975	1977	1979	1981	*1983
U.S.	−1.7	0.5	−4.2	−0.9	0.6	−1.0	−3.9
Japan	1.4	0.5	−2.6	−3.8	−4.8	−4.0	−3.1
Germany	−0.1	1.2	−5.7	−2.4	−2.7	−4.0	−2.7
France	0.7	0.9	−2.2	−0.8	−0.7	−1.9	−3.2
UK	1.5	−2.7	−4.6	−3.2	−3.2	−2.8	−3.7
Italy	−7.1	−8.5	−11.7	−8.0	−9.5	−11.7	−11.8

* OECD estimates/forecasts.

Labour Cost

Relative Unit Labour Costs in a common currency. % change

	EEC	U.S.	Japan
73	1.8	−11.8	13.5
74	−2.8	−4.4	4.1
75	6.8	−8.2	−2.2
76	−9.2	3.1	4.2
77	1.7	−2.6	9.3
78	2.9	−7.3	16.8
79	7.8	−1.4	−12.8
80	6.2	0.2	−10.9
81	−12.7	13.2	8.4
82	−4.5	10.6	−8.7
83	−5.4	5.8	9.3

EEC Farm Spending

by product 1982-83 % total

Milk Products	28
Cereals	15
Sugar	9.5
Oils/Fats	9.9
Beef and Veal	9.1
Wine	4.3

Source: EEC

EEC Self-Sufficiency

by-product %

	1967-71	1978	1982
Sugar	82	125	159
Butter	91	118	114
Milk Fat	100	112	119
Barley	103	112	112
Rye	100	108	98
Wine	97	107	104
Poultry	101	103	111
Soft Wheat	—	102	121
Beef	90	95	105

Source: EEC

Community Trade

Agriculture and Food Products Volume terms*

	1963	1972	1981
Imports	27.8	31.5	32.2
Exports	6.0	10.8	22.7
Balance	−21.8	−20.8	−9.5

* US$bn at 1975 prices and exchange rates.
Source: EEC Commission

Imports

Agricultural products by country of origin

%

	1973	1982
U.S.A.	17.3	20.3
Industrialised Commonwealth	14.1	10.3
Mediterranean area	11.6	9.6
South America	15.7	18.8
Western Europe	10.3	10.0
ACP	10.9	12.3

Source: EEC Commission

Exports

Agricultural products by country of origin

%

	1973	1982
U.S.A.	16.6	12.1
Western Europe	23.4	16.0
Mediterranean area	14.5	14.0
ACP	7.8	10.3

Source: EEC Commission

World Trade Exports

% shares

	1972	1982
U.S.	12	11.5
Japan	6.9	7.5
EEC	21	17

Source: UN

EEC Expenditure

%

	1973	1983
CAP	81.2	62.7
Social Fund	5.8	6.9
Regional Fund	—	11.8
Industry, Energy Research	1.5	5.3
Admin. and other	11.5	13.3

Self-Sufficiency Compared

by-product %

	EEC	U.S.A.
Wheat	118	315
Rice	83	250
Sugar	124	64
Butter	118	121
Grain-Maize	62	160
Beef/Veal	102	93
Poultry Meat	108	106
Eggs	101	104

Source: EEC, USDA

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Design Department

And may the best airline win.

The Civil Aviation Authority airline proposals recommend handing over 30 major routes that British Airways currently operate to other British airlines on a plate.

WORLD TRADE NEWS

Hong Kong backs defiance of U.S. textile curbs

BY DAVID DODWELL IN HONG KONG

HONG KONG textile manufacturers which defy stringent new curbs on exports to the U.S. and continue to ship goods in accordance with existing bilateral agreements will get government backing, Mr Hamish McLeod, Hong Kong's trade commissioner, signalled this weekend.

Mr McLeod had just returned from an emergency meeting in Geneva of the Gatt Textiles Committee at which textile exporters from the developing and industrialised world condemned the U.S. for the new rules, which were announced unilaterally on August 3, and came into effect on Friday.

They say the rules, which call for more detailed documentation and involve a new interpretation of where garments originate, are in breach of the Multifibre Arrangement, are contrary to rules of the General Agreement on Tariffs and Trade, ignore the basic principle that changes to trade agreements should only be made after consultation and are in any case confused.

Hong Kong has been a prominent critic since it, with China, is likely to be seriously effected by the changes. Local textile industry associations estimate that at least 60,000 jobs will be lost, and exports worth HK$2.2bn (£220m) lost per year. China has said that a similar number of jobs are under threat in Guangdong Province which borders Hong Kong.

Mr McLeod, speaking after a meeting of Hong Kong's Textile Advisory Board, said: "When and if particular shipments properly licenced in Hong Kong in accordance with the bilateral textile agreement are held up in the U.S., we can take this up in specific talks with the U.S., and can take such cases to the Textile Surveillance Board of Gatt."

This is one of several courses of action being considered by the Hong Kong authorities as they try to persuade the U.S. to reverse its new regulations. It was seen as an assurance of support for exporters willing to defy them.

While the Geneva meeting failed to extract a compromise from the U.S., Mr McLeod said he was pleased with the outcome: "It went as far as any textile committee will ever go in isolating and criticising one of its members," he said.

U.S. trade partners remain convinced that the new restrictions have less to do with disruption of U.S. industry than with President Reagan's efforts to win the support of the powerful U.S. textile lobby as part of the political horse-trading ahead of the presidential election in November.

"If their concern is genuinely circumvention, then there are avenues provided under existing legislation to satisfy them," Mr McLeod said.

U.S. officials said in Hong Kong that the regulations were interim ones, and that the opinions of trading partners were being sought until early October, when the changes would be reviewed. Pressure from textile exporters will continue right up to October 17, when a further emergency meeting of the Textile Committee has been called.

CHINA said Friday that new U.S. rules limiting textile imports could provoke retaliation, and warned that the U.S. may "eat its own bitter fruit" if it bullies other countries, AP-DJ reports from Peking.

A harshly critical commentary in the Communist Party newspaper, People's Daily, said "There is no reason to assume the U.S. can unilaterally violate international agreements and restrict and harm others, without inviting countermeasures."

Singapore, Japanese venture wins MRT deal

By Chris Sherwell in Singapore

A JAPANESE-SINGAPORE joint venture has won a major S$164.4m (£60m) construction contract to build the main depot for the island state's mass rapid transit (MRT) metro system, beating British and other international contenders.

Another S$10m contract for the MRT's computerised control system went to a Franco-Singapore team edging out Westinghouse Brake and Signal of the UK which was bidding for its third contract.

The intriguing feature of the depot contract, which went to Nishimatsu of Japan, and Lum Chang Building of Singapore, was that an attractive financial offer which came with the price made a "material difference" according to the MRT Corporation.

Most previous contracts have been decided almost exclusively on one criteria — cash price.

The contract was originally for both construction of the depot and supply of equipment and machinery, but was split in two. Henry Boot International of the UK was in the running for the first award. Vickers of the UK is bidding for the separate equipment contract against Japanese, French and West German competitors.

The contract for the supervisory Control System (SCS) went to Sodeteg of France, and Singapore Electronic and Engineering, a Government-controlled corporation.

The MRT Corporation said its bid was "technically the best" and highlighted the flexibility of its software design.

Losers Westinghouse Breake and Signal were partnered with the troubled Keppel Shipyard, also a Singapore Government-controlled company. Westinghouse had previously won both the major signals and brakes contract, and thus finishes with two successes out of three bid.

Rules raise few fears in Taiwan

BY ROBERT KING IN TAIPEI

TAIWAN IS not complaining about the U.S. Government's new regulations covering textile imports, because their effect on this country is likely to be minimal.

Except for imports of high-value piece goods from Japan, almost all phases of garment production are completed on the island. Exceptions are rare: industry estimates place the value of goods likely to be affected by the new ruling at a maximum of $100m, or about 2 per cent of Taiwan's $4.6bn in textile exports last year.

"None of the big manufacturers is worried about the ruling, because they don't think it will have any impact on them," says an industry official.

Taiwan's Board of Foreign Trade, which oversees imports and exports, on Saturday came out half-heartedly against the new ruling, which, it is understood, members have already discussed with U.S. trade representatives.

The board's objection to the ruling stems from its fears that the new regulations might evolve into non-tariff barriers through requirements for excessive documentation. The board's statement also expressed the hope that the regulations would not initially be enforced too strictly, because Taiwanese exporters and American importers may not yet have a clear understanding of what is required of them.

EEC to probe titanium dumping

BY PAUL CHEESERIGHT IN BRUSSELS

TITANIUM products used in high technology industries such as aerospace have been drawn into the complex of trade rivalries between the three leading powers of international commerce, the EEC, the U.S. and Japan.

The European Commission has announced it is opening an anti-dumping investigation into U.S. and Japanese sales of the products on the Community market.

The complaint being followed up was lodged by Community non-ferrous metal producers. Their concern has been that the U.S. and Japan have increased their market share at a time when consumption has been falling.

Capacity utilisation among Community producers has fallen from 64 to 35 per cent between 1981 and 1983. But between 1982 and 1984, it is charged, the imports from the U.S. and Japan increased their share of the market from 48 to 61 per cent.

At this stage there is no reliable information on the selling prices of the titanium products on the U.S. and Japanese markets, but the Commission said that on the basis of production costs it appeared that the dumping margin was significant.

Meanwhile, the Commission has completed a dumping investigation on oxalic acid sales in the EEC from Brazil, East Germany and Spain.

As a result Brazil now faces an anti-dumping duty of 17.6 per cent, while East Germany has given an undertaking to raise its prices and the proceedings against Spain have been stopped.

'Avoid courts in recovering Latin American debts'

By Christian Tyler, Trade Editor

COMPANIES WITH trade debts in Latin America should move quickly when payments fall due but should go to law only as a last resort, according to professional debt collectors.

For debts of £1m and less, local lawyers who know the region, rather than big city firms, should be employed, according to Dr Arnaldo Ramirez-Eva, director of the Bolivar International Group, which advises Western creditors.

"Experience shows you will never win if they want to fight—there are so many loopholes in the law," he told a seminar in London.

It was better to negotiate even on what looked like "outrageous" terms than to lose everything.

Dr Ramirez said an overdue payment should not be allowed to go for more than three months, without the creditor moving "and moving forcefully." He added: "We have found to our amazement that we are collecting debts today which have been outstanding since 1978."

Even large banks sometimes failed to take elementary precautions, like investigating the status of clients to whom they were lending hundreds of thousands of dollars. Some clients turned out not to exist at all.

Exporters should not sell just for the sake of making sales and should avoid completely trading on open account, he said.

Philips agrees compressor deal with China

By Our Trade Staff

CHINA'S National Technical Import Corporation and Philips, the Dutch electronics concern, have concluded a Fl 70m (£16.6m) contract which will enable the Ministry of Light Industry to set up a modern production facility of high-quality compressors in the corporation's Peking refrigerator factory.

The agreement includes the supply of machinery and know-how for the ultimate production of 1m refrigerator compressors a year.

● Gould, the U.S. computer systems company, has won a $5.5m order to supply 11 computer systems to China AP-DJ reports from Hong Kong. Related software, spare parts and special training are also included. The systems will be used at 11 universities in China for software development and studies.

● Statoil of Norway, is to participate in oil exploration on the Chinese continental shelf, Reuter reports from Oslo. The agreement follows talks between Mr Kaare Kristiansen, the Norwegian Energy Minister, and Tang Ke, his Chinese counterpart, in Peking last week.

Spanish car sales wipe out UK trade surplus

BY DAVID WHITE IN MADRID

THE SHARP rise in sales of Spanish-made cars in the UK—a bone of contention in the British motor industry—is the main factor to have cost Britain the surplus which it achieved last year in its trade with Spain.

Figures published by the British Embassy in Madrid show a deficit for the UK of £211.7m in the first half of this year compared with a surplus of £147.1m in the same period last year.

British officials said the trade performance had been affected by the launching last year of the Vauxhall Nova car, made by General Motors at its plant at Zaragoza.

Britain's trade with Spain had already swung into deficit in the second half of last year, although for the year as a whole the UK achieved a surplus of £44.9m.

Spanish exports of vehicles and transport equipment in the first half of this year more than doubled to £160.4m compared with £72.3m in the same period of 1983, and made up by far the most important export category.

Total Spanish sales to the UK were almost 48 per cent up at £810.2m while UK exports to Spain dropped by 4 per cent to £598.5m.

Sales of British vehicles and transport equipment in Spain also increased, but at a more modest rate of 19 per cent, to £52.5m.

The concern of UK motor unions and of BL over Spanish imports has been further exacerbated this year by the prospect of a new sales campaign by the state-owned manufacturer Seat, with own-design vehicles produced with assistance from the Volkswagen group.

The argument centres on the low tariff of 4.4 per cent applied to Spanish cars entering EEC countries. This compares with a 36.7 per cent tariff imposed by Spain on its car imports, although an agreement to import 15,000 EEC cars at lower rates was recently renewed for a second year.

Other steep increases in Spanish sales to Britain took place in the food sector (71 per cent up) and in petroleum products (46 per cent up), while Britain's sales to Spain in the same categories were sharply down. Spanish shoe exports meanwhile rose by 73 per cent in the half-year to £35.8m.

Failure to end unitary tax 'upsets UK groups'

BRITISH companies were greatly worried by the failure of states in the U.S. to repeal unitary taxation legislation, Sir Terence Beckett, director general of the Confederation of British Industry, said. *Our Trade Staff writes.*

Unitary taxation is a method of assessment used by 12 states, that takes a company's worldwide earnings into account no just locally-declared profits.

Sir Terence said 60 British companies were affected by the system.

SHIPPING REPORT

Dry cargo activity rises

BY ANDREW FISHER, SHIPPING CORRESPONDENT

ACTIVITY PICKED up in dry cargo markets last week, with higher rates for grain across the Atlantic. Inquiry was more lively than in previous weeks, though several reported charters went unconfirmed and the market was subject to a good deal of speculation and rumour.

One indication ofthe rise in trade has been the level of the experimental Baltic Freight Index, which has moved up steadily from 889 at the start of August — its low was 854.7 on July 7 — and exceeded 990 on Friday.

This index was 1,000 in early June, however. It consits of the rates for more than a dozen representative charters reported daily by a panel ofLondon shipbrokers.

The rate for grain from the U.S. Gulf to continental Europe went above $8.60 a ton last week, though this is still some way below the levels of early summer. There was also speculation in the week that Soviet charterers had booked vessels for grain from the U.S. or Latin America.

World Economic Indicators

UNEMPLOYMENT

		Aug. '84	July '84	June '84	Aug. '83
UK	000's	3,115.9	3,100.5	3,029.7	3,009.9
	%	12.9	12.9	12.6	12.5
		July '84	June '84	May '84	July '83
U.S.	000's	8,542.0	8,130.0	8,514.0	10,600.8
	%	7.5	7.1	7.5	9.5
W. Germany	000's	2,202.2	2,112.6	2,133.2	2,202.2
	%	8.2	7.8	7.9	8.2
France	000's	2,184.4	2,147.7	2,167.5	1,893.3
	%	9.6	9.4	9.5	8.3
Italy	000's	2,894.4	2,914.5	2,929.7	2,600.5
	%	12.8	12.9	13.0	11.5
Netherlands	000's	818.4	815.9	807.2	810.4
	%	14.6	14.6	14.4	14.5
Belgium	000's	606.6	545.7	552.1	605.2
	%	14.8	13.4	13.5	14.8
		June '84	May '84	Apr. '84	June '83
Japan	000's	1,630.0	1,600.0	1,480.0	1,480.0
	%	2.8	2.7	2.6	2.6

Source (except U.S., UK, Japan): Eurostat

UK NEWS

Ministers seek to settle BA route transfer row

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

EFFORTS will be made this week at ministerial level to try to settle the increasingly bitter row over proposed route transfers from state-owned British Airways (BA) to the UK independent airlines.

The Cabinet is expected to consider the matter on Thursday, although a sub-committee of Cabinet ministers set up to try to reach conclusions on the issue is believed to want to reach a compromise before then.

Because of the pressures of other Cabinet business – it is the first meeting since the parliamentary summer recess – it is possible that the affair may be deferred. It is known that ministers are divided on the question of whether to hive off some British Airways routes to the independents. Some are believed to feel that a delay may help to cool the temperature of what is already a damaging dispute in the UK civil aviation industry and would give more time to find solutions.

The transfers have been proposed by the UK Civil Aviation Authority to increase competition. It has recommended to the Government that BA should give up routes from Gatwick airport, London, from UK provincial airports to Europe, and some intercontinental routes.

The row between the airlines reached an unprecedented level at the weekend with British Airways and the independents taking full-page advertisements in newspapers. BA has taken another advertisement in today's Financial Times. There has also been extensive lobbying of ministers.

The aim of the newspaper campaign is not so much to convince the public for or against route transfers, but to ensure that the Cabinet itself is left in no doubt of the depth of feeling on both sides.

BA for example, has made it clear to the Government that if the Cabinet were to accept the Civil Aviation Authority's proposals for enforced transfers – if necessary by legislation or by changing the airline's articles of association – it would face a revolt by the entire BA board.

The board would not resign but would publicly refuse to accept the transfers, and explain why it was taking its stand. That, in turn, might force Mr Nicholas Ridley, the Transport Secretary, to sack the board.

As the board, headed by Lord King, includes several eminent City of London businessmen, the situation would become a considerable embarrassment for the Government. It would throw plans to BA's privatisation into disarray.

The BA board feels that, having done the job asked of it – to restructure the airline and restore it to profitability prior to privatisation – the Government should not now change the rules.

BA feels that the compromise plan it announced last week – of permitting the independent airlines to fly in competition with it on many routes – offers an honourable way out of what has become a dilemma for the Government.

BA denies suggestions that any such competitive re-alignment on its routes would restrict the independents to between 9 and 12 per cent of the overall UK share of the traffic. BA stressed at the weekend that the figure it had in mind was closer to 20 to 30 per cent of the traffic.

Farmers' milk quota trade may be curbed

By Andrew Gowers

THE MINISTRY of Agriculture is expected to take a first step this week towards regulating a growing trade in milk production quotas among dairy farmers.

The trade, over which there is considerable legal confusion, has aroused the interest of the European Commission, which is seeking an explanation from London.

Under the EEC's March agreement to curb runaway milk production, UK farmers have been told to cut back output by 9 per cent. Owing to the summer drought and to the range of ways in which output can be reduced, cuts have been uneven from farm to farm.

As a result, farmers who have been allocated a quota that they cannot use have taken to selling it to others, together with a parcel of grazing land.

The legal anomalies arise out of the fact that quota cannot be sold in isolation under the UK system; it must be linked to land. But the Government's legislation is vague as to exactly how much quota is to be linked with how much land.

Farmers have thus been selling off tiny amounts of land with large production quotas.

The Commission, concerned that British rules differ from those in other EEC countries by allowing farmers to "reidentify" their holdings, or to attach milk production to any part of their land, has written to the Government demanding clarification.

Partly to pre-empt EEC concern, the British Ministry is expected to set an informal limit this week stipulating how much quota can be attached to a given plot of land.

Social Democratic Party conference

Owen rejects merger with Liberal Party

BY PETER RIDDELL, POLITICAL EDITOR

DR DAVID OWEN, leader of the Social Democratic Party (SDP), yesterday firmly rejected a merger between the SDP and the Liberals before the next general election.

His comments came on the first day of a four-day meeting in Buxton, Derbyshire, of the Council for Social Democracy, the party's 400-strong parliament. Doubts surfaced among a minority of activists at the conference about Dr Owen's emphasis on the social market economy.

The issue of a merger between the SDP and Liberal parties – which formed an alliance before the general election last year – has re-emerged after the publication yesterday of a Mori opinion poll. This showed that a small majority of SDP and Liberal supporters was in favour of a merger. A quarter of all voters said a merger would make them more likely to vote for the Alliance.

Dr Owen said that the SDP/Liberal Alliance was showing that two independent parties could work together.

The Mori poll will be quoted by those who favour closer links in the Alliance in the debate about future relations. This group, including some close advisers of Mr David Steel, the Liberal leader, is looking for a commitment at Buxton from SDP leaders that the Alliance will be permanent and not a temporary expedient.

If this reassurance is provided, these Liberals argue that the autumn's delicate negotiations over the allocation of Westminster seats between the Liberals and the SDP may become somewhat smoother.

More aid urged for developing countries

By Kevin Brown

A BIG INCREASE in aid to the Third World, financed by much higher economic growth rates in the industrialised countries, was called for by the Social Democrats' conference.

The Council for Social Democracy, the party's policy-making body, urged co-ordinated Western growth of at least 4 per cent a year through the 1980s, together with a new international monetary system to stabilise exchange rates and aid world trade.

This would help to finance aid to developing countries of 0.7 per cent of gross national product a year – the level recommended by the United Nations.

The Council also passed amendments, against the advice of the leadership, condemning the "ideological bias" of the International Monetary Fund (IMF) and criticising sales of arms to Third World countries.

Council members argued that the IMF was increasingly dominated by U.S. policy priorities and accused arms manufacturers of diverting resources which could be devoted to technical assistance.

Mr Christopher Brocklebank-Fowler, accused the Government of deliberately reducing the percentage of British gross national product devoted to aid.

Mr Anthony Sampson, speaking for the party leadership, urged the Government to take care not to provoke revolution or a financial default by debtor nations.

Government urged to change Falklands policy

BY IVOR OWEN

LEADERS of the Social Democratic Party won overwhelming support from their rank and file supporters for their demand that the Government launch a diplomatic initiative aimed at ending the need for the costly "Fortress Falklands" policy.

Despite a lone declaration of dissent, the Social Democratic Council backed the view of the policy committee that the long-term objective should be to refuse to allow the Falkland islanders to veto any proposed change of sovereignty.

A resolution approved by the Council envisaged arrangements under which Britain's sovereignty over the Falkland Islands is either shared with or transferred to the UN or the Organisation of American States – which includes the U.S. – subject to Britain retaining undisputed sovereignty over South Georgia and the South Sandwich islands.

Mr John Roper, who was SDP Chief Whip in the House of Commons, until defeated in last year's general election, estimated that the Fortress Falklands policy would cost over £500m in the coming year.

Jaguar faces pay challenge from unions

By Tony Moreton

JAGUAR CARS, recently returned to the private sector, faces its first challenge from the trade unions to day. They will submit a £25 a week pay claim, worth more than 20 per cent.

The trade unions are also demanding a management commitment to review the present pay structure – a move, which according to one union leader, could open an old wound and plunge Jaguar "back into the pay anarchy of a few years ago."

While the Jaguar management might be concerned at the size of the workers' claim, there is dismay within Austin Rover – still firmly within the public sector – at the bids emerging from its factories.

Workers in the Cowley assembly works, Oxford, have lodged a claim for a rise of almost 50 per cent.

Shop stewards in the plant, subject to a rash of unofficial stoppages in recent weeks, are demanding not only a £20 a week pay rise but also consolidation of the present productivity-linked bonus scheme.

Shop stewards are insisting upon automatic payment of the £30 a week bonus ceiling.

NATIONAL DOCK DISPUTE CAUSES INCONVENIENCE BUT NOT WIDESPREAD DISRUPTION

Industry gets around the strike

BY OUR LABOUR STAFF

BRITAIN's second national dock strike of the summer is causing expense and inconvenience to industry rather than major disruption, and has unsettled but failed to unnerve London's financial markets. Fingers are being crossed, however, in the hope that the dispute does not worsen.

The Government believes that the strike could go on for months rather than weeks at its present level without crippling the economy, though it acknowledges that a lengthy stoppage would be very uncomfortable for strike-hit port authorities and some companies. It has no plans to intervene or declare a state of emergency.

The muted City of London reaction is in sharp contrast to the near panic which followed the July strike and forced a sharp rise in interest rates. The City's confidence is fragile, however.

Continuing deadlock in the miners' dispute and even a limited docks strike running into October would carry the risk of sparking a new crisis of confidence in financial markets, many brokers believe. That in turn could put renewed pressure on interest rates and bring a further slowing of the economy.

Eyes will be on the Port of London today to see if there is a sizeable return to work following the employers' ballot last week.

If the strike does not collapse, however, the only glimmer of a hope is that talks planned between steel and miners' unions will result in a deal on coal supply quotas which would resolve the original dispute in Scotland – and that is a slim chance.

Industry fears that the union will slowly tighten the stoppage as it did last week, when men at Goole, Fleetwood and Great Yarmouth joined the strike.

Even so, ports normally handling roughly 60 per cent of non-fuel seaborne trade are open, and companies have generally been able to switch imports and exports, where necessary, to other major ports which are still working such as Dover and Felixstowe. Smaller east coast ports are also carrying more traffic.

In general, industry seems to be finding this strike easier to cope with than the one in July. There has been less of a rush to freight by air.

The longer the dispute lasts, however, the more telling its effects will be. This will particularly apply to trade with the Far East, much of which goes via Southampton in big container ships now being diverted to ports in continental Europe.

The extra cost of trans-shipping goods across the Channel to Britain can be high. Transport and distribution generally accounts for 10 to 20 per cent of total costs of companies doing business abroad and can be considerably more for isolated markets.

No major problems have been reported by such major exporting sectors as cars and whisky. Raw material importers have tended to suffer more because, unlike containerised general cargoes, these are harder to switch around.

With the bulk chemical and oil port of Immingham on Humberside now working, as well as many oil and chemical companies' own terminals elsewhere, the effects have been limited.

The paper industry has also been able to escape the full impact of the strike. Pulp has been coming in through non-striking ports such as Rochester and Sheerness in the South-East, and stocks within the country are enough for four or five weeks.

Mr David Royce, director general of the Institute of Export, said: "The effects are not grotesque if the strike does not last very long."

He thought the worst effects would be on future business at the strike-bound ports, since many traders would probably stick to any new cargo arrangements they had made.

Companies and freight forwarders are unwilling to describe how ingenious they have been in circumventing the strike. Some high-value and lightweight cargoes such as electronic goods or small machine parts are being sent by air freight.

This costs more and clearly erodes profit margins. So does the need to change ports at short notice for many cargoes, especially if the extra distance is long. "You can't suddenly switch arrangements, put the cargo on a lorry and take it to Hamburg, Antwerp, or Rotterdam and not incur extra costs," commented Mr Royce.

If picketing at ports like Felixstowe is stepped up this week, companies fear their trade will suffer much more. On Friday, all 1,150 dockers there worked, despite the presence of around 50 pickets.

The Scotch whisky industry, which last year sold £858m worth of liquor abroad – a quarter of it to the U.S. and a quarter to the EEC – could start to be hit if its second-half pre-Christmas trade is disrupted.

More whisky is shipped in the second half than the first, much of it from strike-bound Clydeport. Distillers said its North American distributor had stocks for three or four months, so the hold-up on shipments was not yet serious.

Teachers said it had made alternative arrangements for over 80 per cent of its whisky exports which were causing slight delays. Liverpool and Southampton, which it uses, are strike-bound, but Felixstowe, Harwich and others remain available.

The motor industry has felt little impact. Vauxhall, for instance, says it has maintained production, though it admits that extra costs have geen created by making alternative arrangements for moving cars and parts between the UK and Spain, Belgium and Germany. Its normal ports are Bristol, Sheerness and Hartlepool.

The grain trade – faced with a record UK cereals harvest – is getting through the dock strike by shifting shipments to strike-free ports such as the smaller outlets on the East Anglian coast.

The large depots built by grain shippers Cargill and Continental at Hull and Southampton are dormant. According to one trader, however, the main factor depressing British cereals exports this year is not the strike but the fact that EEC export subsidies have mainly gone to French producers so far.

The total harvest this year is set to exceed 24m tonnes, with an expected exportable surplus of about 7m. So in theory the trade is looking to exports to take the pressure off a severely glutted market. Farmers are worried that the strike could interfere with trade if and when the EEC authorises larger amounts for export.

With crops already gathered in the south and the harvest in East Anglia – by far the largest portion – drawing to a close, large quantities of grain are piling up in barns and warehouses. Prices have tumbled as a result, with UK average prices below £100 a tonne for the first time in two years and well below the officially guaranteed intervention levels.

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AUSTIN ROVER

UK NEWS

Treasury presses for urban aid cuts to meet spending target

BY PETER RIDDELL, POLITICAL EDITOR

THE TREASURY is pressing for substantial cuts in planned public expenditure on house improvement grants and on urban aid to help offset large unavoidable increases in spending on other Whitehall programmes.

The Department of Environment and Social Security budgets have emerged as the main targets of the Treasury as intensive discussions begin this week between Mr Peter Rees, the Chief Secretary to the Treasury, and other ministers about how to hold down total expenditure to the planned level of £131.6bn in 1985-86. This limit was confirmed by the Cabinet in July.

Spending departments have, however, put in bids for an additional £5bn to £6bn next year, of which well over £2bn is regarded by the Treasury as unavoidable. This reflects a combination of the higher than expected level of unemployment, a big overshoot in local authority expenditure and a smaller rebate on the EEC budget than previously assumed.

In addition, there is likely to be a carry-over of increased spending resulting from the higher than planned level of pay increases in the public sector, as well as from the probably substantial costs of the miner's strike.

The Treasury's room for manoeuvre is further limited by the concordat reached last year over the medium term level of defence and health expenditure, between them a quarter of the overall total.

Existing plans contain a contingency reserve of £3.7bn for unforeseen items in 1985-86, but the Treasury wants to preserve as much of this as possible, implying a tight squeeze on a limited number of programmes.

Insurance company assets rise 19%

BY ERIC SHORT

TOTAL market value of UK insurance company assets at the end of 1983 was £114.5bn – 19 per cent more than at the end of the previous year – according to figures published in the latest edition of British Business, the journal of the Department of Trade and Industry.

Total assets of self-administered pension funds increased by 25 per cent over 1983, reaching £106.2bn at the end of the year.

Long-term insurance funds climbed from £79.9bn to £95.9bn over the year, with over half this increase coming from the rise in stock market values.

UK gilt holdings of long-term insurance funds at £25.8bn accounted for just over one quarter of the overall assets – a slightly lower proportion than at the end of 1982. The proportion of long-dated gilts in the overall gilt holdings again declined, to 47 per cent against 54 per cent a year earlier.

UK company securities' holdings at £35bn accounted for over one third of the total, with a strong rise in unit trust holdings – reflecting the continued growth of unit-linked life business.

Overseas company securities at £7.7bn accounted for 8 per cent of total assets, while holdings of overseas government securities at £1.15bn doubled during the year.

Holdings in land and property declined in relative terms for the second successive year, the overall holding of £17.2bn being 18 per cent of the total.

General insurance funds rose 15 per cent in 1983 to £18.6bn, with gilts accounting for a quarter of this total and overseas government securities another 5 per cent. UK equities accounted for a further quarter, overseas equities 7 per cent and property 9 per cent.

Overseas equity holdings increased sharply for the fourth successive year reaching £15.2bn – 14 per cent of the overall total.

Discounts return to truck market

By Kenneth Gooding, Motor Industry Correspondent

DEEP DISCOUNTING has returned to Britain's heavy truck market even though sales so far this year have improved considerably from the 1983 level.

According to its rivals, Scania of Sweden has been particularly aggressive – with some success. Its registrations have leaped by 61 per cent in the first eight months of this year, from 1,104 to 1,778 trucks.

Volvo, Scania's rival, has followed into the fray. Volvo's sales rose 18.3 per cent in the eight months, from 2,569 to 3,039 while the total market for vehicles over 3.5 tonnes gross weight improved by 10.48 per cent.

However, the figures have been distorted by a Ford incentive campaign which offered dealers up to an extra £1,500 a vehicle if they achieved set targets by the end of June.

Ford's sales have dropped sharply since that time and because it is market leader the effect on *total* registrations has been highly visible.

The Society of Motor Manufacturers and Traders' statistics show that heavy truck sales (over 3.5 tonnes) fell by 11.6 per cent in August compared with the same month a year ago – from 5,558 to 4,913.

Ford registrations for the month dropped by 58.7 per cent from 1,485 to 613 vehicles.

Total commercial vehicles sales last month were 8.2 per cent down on August 1983 at 31,881 but over the first eight months the market was 2.4 per cent up at 190,567.

The importers' share in August rose from 40.1 per cent to 42.3 per cent and over the eight months from 33.8 per cent to 35.6 per cent.

The society's figures show that light van registrations in August fell from 11,581 to 10,647 but that the eight-month total was nearly unchanged at 80,745.

Medium and heavy van sales in August were 14,116, down from 15,458, but over the eight months improved from 81,839 to 85,502.

Light four-wheel-drive vehicle registrations were 1,805 in August (1,895 last year) and 8,266 (8,666) for the January to August period.

INQUIRY REOPENS INTO SIZEWELL REACTOR

Miners set for another battle

FINANCIAL TIMES REPORTER

AS PUBLIC attention focuses on the miners' strike, the National Union of Mineworkers (NUM) is set to fight again on its other battlefield.

The union is preparing to make a further attempt at the Sizewell B inquiry to convince the inspector that the proposed pressurised water reactor (PWR) nuclear power station should not be introduced to the UK.

The inquiry resumes in Suffolk on Wednesday after the summer recess. The hearing began in January last year and is expected to reach its final phase by Christmas.

The NUM fears that a go-ahead for Sizewell B will lead to a programme of PWRs and signal a shift away from coal-fired generation at a cost of thousands of mining jobs.

Ironically, the NUM strike is being interpreted, by the Government and senior officials within the Central Electricity Generating Board (CEGB), as further evidence that there is a need to increase reliance on nuclear power to protect electricity consumers from the threat of disruption.

Before the strike led to an increase in the use of expensive, oil-fired stations, coal contributed 80 per cent of the nation's power.

Some CEGB officials would like to see the reliance on coal reduced towards 60 per cent, the level it enjoyed in the early 1970s, when oil-fired generation was at its height.

The strike itself is doing nothing to harm the CEGB's chances of obtaining government consent for Sizewell B and for further nuclear plants. The NUM, however, is determined to do all it can at the inquiry to oppose the plan.

The union has already given evidence about the economic and social consequences for mining areas if the coal industry is slimmed down.

It is now preparing to argue that the health risks of nuclear power are greater than for coal-fired generation.

The Government's Health and Safety Executive has already told the inquiry that, even taking into account the mining of uranium and coal, the risks associated with nuclear and coal power are of a similar level and are small compared with dangers faced in other industries and in everyday life.

The CEGB has claimed that the occupational risks in coal-fired power stations are greater than for nuclear power.

The NUM believes those conclusions are based on what it calls "simplistic numerical estimates" and that the risks of coal-fired generation have been exaggerated.

It intends to ask Sir Frank Layfield QC, the inquiry inspector, to consider not only the routine health risk to the public and occupational workforce posed by nuclear power, but also the risks of a catastrophic accident.

Paris heads guide to business living costs

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

FRANCE is the most expensive country in Europe in which to base a sales manager, according to a guide to West European living costs published today by the Confederation of British Industry.

The guide by the UK employers' association, the 13th to be published, shows that a British company sending a sales manager to Paris would have to pay him £31,271 a year to compete with the salaries paid in the French capital.

Next comes Rome where a British company would need to pay £28,397 a year for a sales manage., followed by Zurich where the employee would have to be paid £24,722.

A sales manager in Britain paid on the same basis would earn only £15,000 and, in Europe, would be better paid only than his equivalent in Athens (£11,788) or Lisbon (£7,450).

Bilingual secretarial support would be most expensive in Zurich at £14,421 a year, followed by Copenhagen at £13,105. The cheapest support could be found in Athens (£3,788) and Lisbon (£2,671).

These figures are based on the exchange rates applicable on September 7, the CBI says.

The survey is seen by the CBI as an essential guide for companies preparing to set up operations in Europe.

West European Living Costs, CBI Publication Sales, Centrepoint, 103 New Oxford Street, London, WC1. £18.

UK tourism increases

BY OUR CONSUMER AFFAIRS CORRESPONDENT

MORE BRITONS are travelling away from home than ever before, and an increasing number are staying in Britain rather than going abroad, according to a survey published today.

The survey, by the UK tourist boards, found that Britons took a record 150m tourist trips in 1983 and spent a total of 735m nights away from home, the highest number recorded over the past decade.

The 150m trips were 7 per cent higher than in 1982 and the nights away from home were up by 6 per cent.

The figures reinforce the view of the travel trade that Britain's tourist industry is booming. Not only are more overseas tourists coming to Britain than ever before, but more Britons are staying in the UK for their holidays.

British Home Tourism survey, from the British Tourist Authority and UK Tourist Boards, £3.50.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

September 10-11
The Textile Institute: Textile design strategy—from yarn to the consumer (061-834 8457) **London**

September 10-14
University of Wales Institute of Science and Technology. Ships' costs (0222 42588) **Cardiff**

September 13-14
INSIG: International seminar on bank staff management (Paris 225-07-24) **InterContinental Hotel, Paris**

September 14
The Economist: Reforming British taxes—can fundamental reforms succeed where piece-meal changes falter? (01-839 7000) **116 Pall Mall, SW1**

September 16-18
Metal Bulletin's third international aluminium congress (01-633 0525) **Munich Sheraton**

September 17
Longman Seminars: Cross-border financial planning for individuals —a passport fo rsuccessful tax planning (01-242 2548) **Barbican Centre, EC2**

September 18
Monadnock/Middle East Association: Islamic banking—its impact on world financial and commercial practices (01-253 5909) **London Press Centre**

September 18-20
Reinsurance Management Institute: Fundamentals of reinsurance (Texas (214) 721 5360)

September 18
The Wimborne International Group: Combined heat and power/district heating — the Swedish experience (010468 7830525) **Westminster**

September 19
Weisweiller Adfos: Innovcations in foreign exchange (01-229 8244) **London**

September 20-21
Business Research International: Foreign currency options—profitable opportunities for traders, hedgers and investors (01-637 4383) **Hotel Inetrnational, Zurich**

September 20-21
Metal Bulletin: Second International Barter Conference (01-330 4311) **Intercontinental Hotel, Vienna**

September 23-26
Philadelphia Stock Exchange: First International Foreign Currency Options Symposium (01-606 2348) **Four Seasons Hotel, Philadelphia**

September 24
Weisweiller Adfos: Inovations in foreign exchange (01-229 8244) **London**

September 25
The Institute of Information Scientists. European funding for business (0207 500957) **Newcastle-upon-Tyne**

October 2
Institute of Taxation: Tax Planning and the Family Company (01235 8847) **RAF Club, Piccadilly**

October 15-16
FT Conference: Unit Trusts—A major force in international investment (01-621 1355) **Royal Lancaster Hotel, W1**

October 18-19
FT Conference: Management Strategy for the Financial Services Revolution (01-621 1355) **Inter-Continental Hotel, London**

October 22-23
FT Conference: Electronic financial services (01-621 1355) **Barbican Centre**

Current
Ideal Home and DIY Exhibition (0232 650329) (until Sept 15) **Belfast**
International Menswear Fair—MAB (0727 62313) (until September 12) **Earls Court**

September 10-13
Builders Merchants' Exhibition BEMEX (01-680 4200) **Wembley Conference Centre**

September 11-22
Chelsea Antiques Fair (0727 56069) **Chelsea**

September 18-20
Premiums Show (0622 671081) **Wembley Conference Centre**

September 19-23
Personal Computer World Show (01-486 1951) **Olympia 2**

September 21-25
International Broadcasting Exhibition (01-240 1871) **Brighton**

September 23-25
International Garden and Leisure Exhibition GLEE (01-390 2211) **NEC, Birmingham**

September 25-27
Semiconductor International Exhibition (01-891 5051) **NEC, Birmingham**

September 28-30
Home and Business Security Exhibition (01-387 5050) **Olympia**

September 30-October 2
Fashion Shoes Exhibition (01-739 3817) **Olympia**

October 22-24
International Exhibition of Technology, Equipment and Service Banking, Insurance and Finance (021-705 6707) **Barbican Centre**

October 23-26
London Business Equipment Exhibition (01-647 1001) **Earls Court**

OVERSEAS TRADE FAIRS

Current
International Autumn Fair (01-486 1951) (until September 16) **Zagreb**

September 12-19
International Engineering Fair (021-455 9600) **Brno**

September 13-15
International Fashion Fair (01-891 2606) **Vienna**

September 16-9
International Hardware Show—OUOJEM (01-439 3964) **Paris**

September 25-28
Computer Graphics Exhibition —CAMP (01-749 3061) **Berlin**

October 9-13
International Machine Tool Trade Fair — INTERTOOL (01-891 2606) **Vienna**

October 10-12
Hong Kong Toy and Gift Fa!r (01-930 7955) **Hong Kong**

October 11-21
International Communications Trade Fair (01-486 8686) **Sao Paulo**

October 30-November 5
International Tourism, Hotel Facilities & Construction Materials Exhibition INTER HOTEL (01 236 2399) **Beijing**

Current
MAB (0727 63213) (until September 12). **Earls Court**

Current
486 1951) (until September 16). **Zagreb**

THE ARTS

Architecture

Colin Amery

Visions of the capital

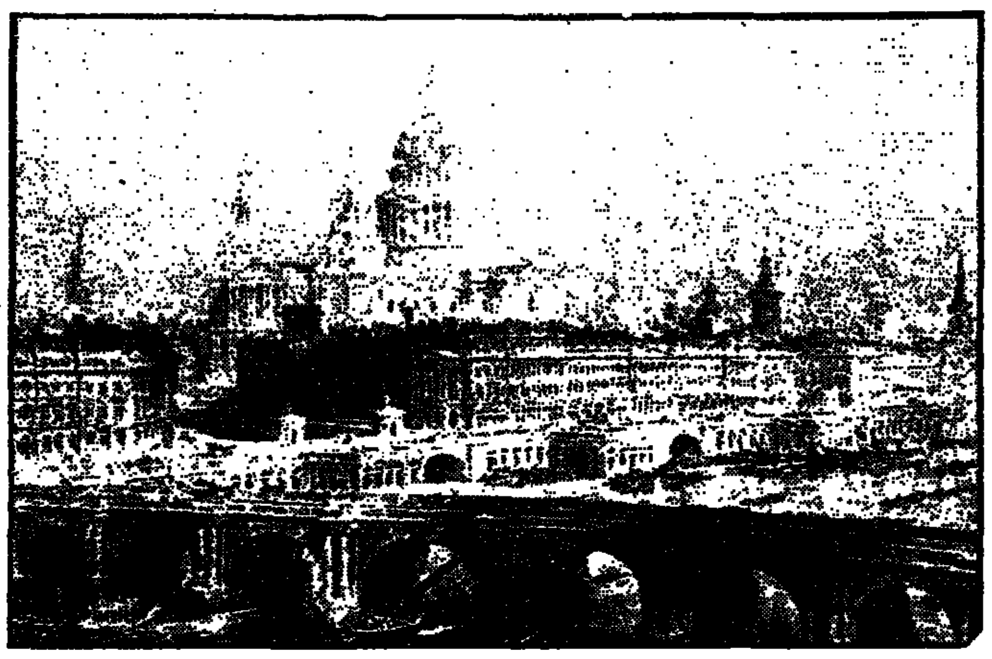
Getting London in Perspective is the capital's major contribution to this year's Festival of Architecture and as a result the Barbican Art Gallery will be staging until October 28 one of the finest displays of architectural drawings likely to be seen in the City.

Like all the best exhibitions, this one has behind it a serious idea. It is not just a range of views of London but an investigation of how the capital has been seen by that rare crossbreed (half artist and half technician), the architectural perspectivist. The exhibition examines in detail the idea of the perspective technique from the earliest examples to current methods using computer aided design skills.

As Sir John Summerson said at the opening of the exhibition, the perspective is a wonderful tool for flattering the vanity of the architect and at the same time for misleading the public. A skilful perspectivist can make the most mundane edifice look dramatic and rich in shadows and romance. It is important to remember that the whole point of the medium is to sell the idea of a large and expensive new building to a client or a competition jury.

It is this fact that explains the presence of crowds of super-elegant people always leaning a little into the wind—or are they catching their breath at the glory of the new architecture? While this exhibition can certainly be enjoyed as a display of virtuoso graphic skills it is just as likely to appeal to a wide audience as a series of inspired visions of London.

It is a clearly organised exhibition following a simple historical route, from the arrival of the perspectivists in 18th century Britain fired by the example of Italian artists like Piranesi. With Thomas Sandby and Sir John Soane as Professor of Architecture at the Royal Academy the large scale imaginative drawing emerged as a major artistic and architectural influence.



Thomas Allom's vision of an improved Thames in 1846

These cool and classical visions of London are almost heart-rending when seen through present day eyes—how this great cty has suffered, as much from the Victorians as from the bombs of the Second World War.

The unexecuted schemes of Soane for a new opera house in Leicester Square, a new House of Lords, and the Wyatts' proposal for a monument to commemorate victories over the French in 1815 (a pyramid higher than St Paul's to stand at the corner of Trafalgar Square) would all have been monuments of European significance. *One of the most* spectacular proposals is the large watercolour by J. M. Gandy of an unbuilt town palace for the Duke of Wellington.

This drawing has been lent from Holland and it is of remarkable quality. Like so many of the other unbuilt proposals in the exhibition it appears to be too grandiose for the English capital. Londoners never built monuments on the scale of Paris or Berlin and the true mood of later European neo-classicism never flowered with great purity in London.

In a fascinating section called *River, road and rail*, ambitious schemes for the ordering of the banks of the Thames show more lost opportunities. The visionary design by Thomas Allom, which was shown at the Royal Academy in 1846, replaced the wharves with a series of practical classical terraces that would have extended from Blackfriars to Westminster. The quay provided a carriageway above a new sewer while giving a visual base in scale with St Paul's *Cathedral* — something that Wren would have liked. It is sad indeed that Joseph Bazalgete's heroic figure of Neptune on its granite plinth never arrived to grace his Embankment.

It was the Victorians who made the most of the perspective as a tool for their Imperial propaganda and architectural expansionism. The Houses of Parliament, the South Kensington Museums, the Royal Exchange, the Law Courts and uncountable churches were built and all of them presented to the public in richly coloured drawings. The dreams of Imperial splendour continued into Edwardian times when one of the great masters of the perspective, William Walcot, using pencil and gouache fantasised about a London twice as splendid as ancient Rome. He looked ahead to the year 2000, and his view of the Savoy surrounded by skyscrapers and receiving visits from giant airships has a convincing magic.

In the *Today and Tomorrow* section I felt the selection was very limited. I am sure the organisers will say this is because the perspective has been little used since the abstractions of the Modern Movement and because of the visual dullness of so much 20th century architecture. This is partly true but the tradition of visionary schemes for London has continued — particularly by townscape artists in the Architectural Review.

There is also a *shortage of* the interior perspectives that give a particularly vivid sense of past ways of life. But there can be no doubt that this is one of the most rewarding exhibitions about London architecture for a long time and there is an added piquancy about the exhibition seeing the visions of the past in one of the more megalomaniac *architectural visions of the present*. I wonder if anyone drew any perspectives to flatter the Barbican?

Shaw Festival/Ontario

Frank Lipsius

Americans have become more welcome in Niagara-on-the-Lake since they burned down the Ontario town in 1813. Rebuilt in provincial wooden Victorian architecture, with carved façades and planked porches, the town makes an attractive setting for the Shaw Festival, which has grown in stature compared to the neighbouring Stratford Festival, thanks in part to Stratford's difficulties and in part to its own success.

A mandate to perform Shaw and his contemporaries was established with the founding of the festival by a local barrister 23 years ago. *The Skin of Our Teeth* shows just how wide the latitude is for a repertory that, after all, covers mid-19th to mid-20th century writing and, as with Thornton Wilder, people Shaw had no time for.

The Skin of Our Teeth has little of the spirit of Shaw, with self-conscious avant-garde stage business and profundities presented as cute comic turns. *Sabina*, the play's narrator, who starts out as a maid and turns into a beauty contest winner, spends far too much time speaking directly to the audience about the state of the world, the family she works for and the play itself.

Written in the midst of the Second World War, it labours desperately to catch the war-entertainment mentality, *starting with an announcer in front* of an old free-standing microphone. The Antrobus house exterior lifts to reveal the perfect American living room, including the plastic covers on the pink and green chintz sofa. The cosy interior is disturbed by powers without, from extinct animals to the freezing weather, ushering in a new ice age.

George Antrobus is given to disquisitions on social responsibility, as when he tells his son: "You mix up your idea of liberty with your idea of hogging everything for yourself." The theme is picked up in the second act's Atlantic City setting, where during the human race's 600,000th reunion and beauty contest, George continues his homilies as president of the convention. The last act anticipates a more austere post-war drama with the inhabitants crawling up through a trap door to get their lives started over again.

If a little too big for its breeches, the play at least avoids maudlin reflections on the war. It is prescient when George warns against turning the post-war period into nothing more than a search for comfort. It affectingly shows the war at home, even if America missed the hell portrayed on stage. But the playwright stretches to the breaking point the small-town issues and sentimentality of his earlier Pulitzer prize winner, *Our Town*.

The production only emphasises the playwright's excesses, as the well-made sitting room turns effortlessly into an Atlantic City shriners' convention and then into a dark stage on the day peace is declared. Director Christopher Newton indulges the actors' impulse to ham up farce, when it should be played straight. The major exceptions are Jennifer Phipps as the mother and Robert Benson as George. Nora McLellan as Sabina unfortunately takes the bit between her teeth, and while carrying some passages to glorious inanity, often sets a shrill tone that leaves the humour flat.

After an experimental five performance last season, Noël Coward's *The Vortex* has been brought back for a full run in the Court House, the second of the Shaw Festival's three theatres. *The Vortex* is full of the flip dialogue that, after the play's opening in 1924, made Coward famous.

The son's drug addiction and the mother's heartbroken loss of a young lover are fully faced in a third act: they try to lean on each other in their swirling fall into despair. *The Vortex* provides a useful corrective to Coward's carefully nurtured image of laughing it all off.

Geraint Wyn Davies stands out as son Nicky, with support from equally suave John Gilbert as his father, Goldie Semple as Helen, and David Schurmann as her cohort Pawnie, short for Pauncefort Quentin. David Hemblin's careless direction allows the antique telephone to make a mess of characters' efforts to cross the stage.

Despite less compelling performances from the other characters, including a rather too timid and brittle Frances Hyland as Nicky's mother, the production brings out a mix of fun and sentiment.

Fall/Hampstead Theatre

B. A. Young

Offstage, Mary's husband is dying. We hear little about this, and indeed little about him, except once when Mary (Gwen Watford in a characteristic performance) breaks out of her usual restraint to paint a picture of him as he was before their marriage. What we do hear about is the contrasted *Weltanschauung* of their three daughters, who sit in the garden drinking white wine or tea and discussing their lives with one another.

These three parts are sensitively written by James Saunders, and sensitively played. Helen, the eldest daughter, is unkindly described by her youngest sister as a *drop-out Marxist, drop-out* therapist and drop-out wife. Julie Covington, making herself as plain as she can, looks also like a drop-out mother. She gives way just once to regret for the husband she kicked out, who now has a wife and two children; but her future, as she sees it, is to look after her mother after her father is dead.

Ann, the youngest daughter, eight months pregnant by a pop-singer currently touring Ireland, lives for the moment. It doesn't matter what happened in the past, you can't change it, and the future will be what it will be. She thinks of her imminent childbirth as seriously as if it were a barbecue, and in spite of her sisters' advice she resolves to have her baby here at her mother's home. Sylvestra le Touzel's round face and wide, expressionless eyes change only once, in a sudden burst of tears.

Kate (Cecily Hobbs) lives her life dominated by Freud. *She has left home to live in* Hamburg, where she does part-time work. The home situation has brought her back, not only her father's illness but her mother's possible association with a businessman friend. She has neither Helen's sense of responsibility nor Ann's sense of detachment; her German guru has done nothing for her. She is the third sister to decide to return to the nest.

If I say that this is all there is, it will give a false impression. There is indeed no action, very little advance in the situation (the sick father dies at the end of the evening), no *excitement. But the three* character-studies of the sisters are masterly; my interest in their treatment of their problems never dwindled for a moment. The play is a beautiful still-life, and the acting of the four players could not be more exact.

There is in fact a fifth player, a man played by Roland Oliver, who is given a name *(Roche) but no function except* to add a touch of running commentary from time to time, I suspect that he has an importance that was not made clear to me. The director is Robin Lefevre, the pretty design of the garden under a leafless tree is by Sue Plummer.

Osud/Coliseum

Max Loppert

The stages in the British discovery of Janacek's *Osud* (*Fate*)—second in the line (after *Jenufa*) of his mature operas, and until recently the stepchild among them—have been gradual but insistent: a BBC Radio 3 broadcast in 1972, followed by the 1980 issue of the Supraphon recording, and then by last year's electrifying South Bank Summer Music concert performance conducted by Simon Rattle. Now comes a glorious conclusion to the campaign: a new English National Opera production by David Pountney. After Saturday's premiere, the notion that *Osud* is a work of beautiful music but unstageable drama will no longer be sustained. Even if not all the problems of a famous "problem opera" have been put to flight in the process, this hypnotically engrossing achievement shown to an audience ways of confronting them that make for an unforgettable evening of music drama.

As I wrote after that 1983 concert performance, *Osud* (like Berg's *Lulu*) is a work with strange and important parallels in its composer's autobiography. It was inspired by an incident in real life — Janacek's meeting, at the Luhacovice spa, and falling in love with a woman who had recently been the subject of an opera composed by a jilted lover. The subject *of Osud is a composer writing* an opera about the woman who had apparently jilted him; the vision was Janacek's own, and into it he poured powerful elements of his own personal experience (which not long before had included the death of a beloved only daughter).

Up to now the stumbling block to its dramatic communication has always seemed to be that Janacek was forced by circumstances to collaborate with an entirely inexperienced librettist, whose work could be read, at least in the previously available English translation (in the Supraphon booklet), as the weirdest mixture of high-flown symbolism and overripe imagery, oddly mixed and apparently unworkable as a piece of stagecraft — events, actions, and minor characters have a disconcerting habit of flashing up and then out of sight without warning or obvious motivation.

In an essay in the ENO 84-85 Yearbook, Mr Pountney insists instead upon the "sheer modernity" of the libretto, which takes form in the way a "strangely inconsequential plot is used as a device for a rich web of hidden subject matter"; he also claims for Janacek's "elliptical" style links with the modern cinema. The case, not wholly convincingly stated on paper, has been argued and won in the best way, on the stage itself. Its first strong point is the new translation by Rodney Blumer, which even a non-Czech speaker feels emboldened in guessing to be an overwhelming improvement on the original — it strikes and sustains a poetic note consistent on its own terms, it sings naturally, vividly, and elegantly.

Upon this firm foundation, producer, designer Stefanos Lazaridis) and lighting consultant (Matthew Richardson) have built up a structure of stage action which allows events and characters to flow past with the greatest agility while at the same time preserving a framework of heightened, sometimes suspended reality approaching that of dream worlds. The central revolve supports a cross-shaped tower hung with four clear plastic curtains; as it spins into play, groups of human activity are disclosed and then enveloped, patterns of characters in black and white 19th century formal and sporting dress; the scenes modulate with miraculous fluidity from soft to sharp focus.

One price to be paid for all this is the intermittent buzz of the revolve itself (in the key of D, I think); in the first act, the eye searches in vain for the counterpart of visual beauty to Janacek's radiant orchestral hymn to the sunlit spa scene (a *wonderful foretaste* of the Vixen's wedding). Nature painting, as we know from the Lazaridis-designed ENO *Rusalka*, is not Mr Pountney's forte. Digging out complex psychological states very much is; the build-up of tension across the three acts is relentless. As in the best work of this brilliant, maddening producer, one senses a central truthfulness to the inner core of an opera. In this case, indeed, that truthfulness brings with it a revelation.

Mark Elder's conducting may lack some of Rattle's instinctive Janacek sympathy and volatility, and in the early stages of the evening the orchestra sounded a shade tentative (not the chorus, though); but it is paced and shaped to chime with every detail of the production, and so the success is also the conductor's due. The principals are those of the Rattle concert: Philip Langridge, giving the performance of his life as the composer Zivny, and Eilene Hannan, fragrant and touching (despite moments of shrillness) as the shadowy Mila. Ludmila Andrew makes a startlingly powerful figure of her mother (and their nemesis), though words and lower phrases are not always audible; Emile Belcourt (a welcome ENO revenant), Christopher Booth-Jones and Shelagh Squires stand out in the large cast.

Osud, a short three-act opera, is shorter still when given without break. As companion piece, Weill's *Mahagonny-Songspiel* (forerunner of the three-act opera which the ENO has been so infuriatingly cautious about reviving) might have set up an interesting counterpoint to Janacek. Because of a sadly diffuse staging by Keith Hack, full of specious vitality, empty of genuine dramatic conviction, nothing comes of the contrast. The sound of the band, placed on stage, seems to be swallowed up by the sets and the flies; little of any real Weill trenchancy reached my stalls seat. Even if a metronome could be invited to provide evidence, all of Lionel Friend's tempos sounded far too slow; and the singers, Sally Burgess (a born Weill singer) and Elise Ross honourably excepted, are a woolly, wooffy crew. Anyone planning to see *Osud* — andno operagoer in his or her right mind should miss it — might do well to arrive at the interval.

Three exhibitions at the Barbican Art Gallery

An unexpected view of London, past, present and as it might be, is presented in an exhibition at the Barbican Art Gallery which opened this week. *Getting London in Perspective* contains architectural views of town planning *schemes, individual buildings* and railway projects in more than 200 line drawings, watercolours, oils and computer plans.

(See Colin Amery's review above.)

Thirteen black and white photographs taken by Prince Andrew to illustrate the Ilford 1985 wall calendar, together with a selection of 150 other photos showing the background to the taking and printing of them, will form the Barbican Art Gallery's first photographic exhibition, from September 18 to October 28.

For children, illustrations by Anthony Browne from his latest book *The Visitors who Came to Stay*, written by Annalena McAfee (publisher Hamish Hamilton), will be on show in the foyer of the Barbican's level 4.

'Mozart Explored'

Jane Glover, the new artistic *director of the London Mozart* Players, has announced details of the orchestra's forthcoming season of ten concerts at the South Bank. For the season, she has devised a series of ten concerts called *Mozart Explored*, which concentrate entirely on an exploration of the life and works of the composer.

The works in each concert will be linked by *contemporary* readings including letters of the composer himself. Simon Callow, well-known for his portrayal of Mozart in the production of *Amadeus*, will be taking part in the first concert on Wednesday, September 19.

The Barber of Seville/Coliseum

Rodney Milnes

The ENO *Barber* is something of an institution—the sets, however much titivated, must be over 30 years old, and look it—and like most institutions has done good service and is much loved. But perhaps it is *now time for a change*. That is not just the blasé reaction to attending what seems like the 100th *Barber* this year, and with a well-tried cast at that, since only the totally unmusical could fail to react with pleasure to the felicities of the score once the performance has started. But is justice being done to Rossini any more?

There is a cosiness to the proceedings, rather like a Christmas party with all one's favourite uncles at which one knows which jokes are going to come, and exactly when. This feeling is emphasised by the Victorian costumes, and by Dent's translation, which fits them like a glove and has honestly had its day. A new look all round is needed, something sharper, wittier, less couthie, especially since the current revival is sadly lax in terms of stagecraft.

That *said*, there is *still* much to enjoy musically. Wyn Davies's conducting is pleasingly light and swift, lacking only the last ounce of warmth in its phrasing, but at least he gives Della Jones (Rosina) plenty of room to wheedle and charm with her *fioriture* ("Dunque io son" went quite beautifully). Miss Jones substituted the rondo finale from *La donna del lago* for the usual "Contro un cor," a dazzling showpiece flung off with confidence, abandon and a fine sense of fun.

John Brecknock, the newly svelte Almaviva, is an asset to any Rossini performance in that he does not despise the head-voice (no decapitated capon he). The difficulties of the role hold few terrors for him, though there were pitch problems early on, and his Don Alonso is now way over the *top*.

Alan Opie, in superb voice, repeated his lovable Figaro, Richard Van Allan his Basilio, as gawky as a Cruickshank Dickens engraving, and John Gibbs his well sung but strangely unfocused Bartolo, neither traditionally comic nor engaging enough to be taken altogether seriously.

The only newcomer was Jane Eaglen, who sang Berta's aria brilliantly, her pure, strong tone under firm control. One looks forward impatiently to seeing in which of any number of directions this promising young artist develops.

Hamlet/RSC, Stratford

Michael Coveney

Roger Rees has a couple of first-class acts to follow this season, to wit Kenneth Branagh's Henry V and Antony Sher's Richard III. And his task is made no easier by the fact *that he* has been an obvious Hamlet for several years not least because of his triumph as Nikolai Erdman's farcically suicidal ditherer Semyen in his last major collaboration with the director Ron Daniels.

But Rees comes through the ordeal with flying colours, presenting a genuine chameleon Prince whose hesitancy and neurosis is channeled through a series of startling Bedlamite phases before hardening, at the fatal duel, into a calm and acquiescent resolve. The actor is in firm control throughout. As the court assembles in Maria Bjornson's echoing brick court of Jacobean courtiers in grey costumes underneath black draped chandeliers which fly in with two great Perspex-bullustraded stairways set at right angles to the audience, Rees mopes in black in the middle distance. He sits weakly on the stairs as Claudius announces his new wife. His gait is tentative, his stride that of a man worried about standing on flies or perhaps cracks in the pavement.

Once the ghost had infected his rage, he adopts a comical mad act, arms akimbo and eyes agape at the old fellow in the cellarage. The actor's great talent for transmitting a quality of febrile energy gives Hamlet's indecision all that more paradoxical an urgency. By the time Frank Middlemass's benignly fussing Polonius is greeted as a fishmonger, Rees has a drooping sock, a torn shirt and a tousled hairstyle.

Almost unprecedentedly, the interval is taken en route to the closet scene, a few maternal cries interpolated as Hamlet exits. The only problem is that the dramatic momentum of that great central sequence flowing from the play scene through Polonius's murder to the banishment to England is seriously disrupted. It does not make much sense, this interval placement. But nor is the sequence helped by the seriously underpowered Gertrude of Virginia McKenna—a nice lady from Farnham or Frinton, you feel, apparently untouched in the great emotional conflicts Gertrude undergoes between new husband and disaffected son. Opposite her, is the ranting, booming Claudius of Brian Blessed whose strained insensitivity with the verse is partly redeemed at the one moment where you suddenly see the marriage freeze as he declares his soul is full of discord and dismay.

Lots of shouting, too, from Richard Easton's Ghost, who emerges from a billowing traverse which Chris Ellis's lighting decorates with scudding coluds, the minute something portentous or otherworldly is about to happen. And weighing in behind all that is the score of Nigel Hess.

Phoebus' Cart seems to have been unhitched by the Players, who are admirably led by Bernard Horsfall fooling me for one glorious moment that John Barton was at last extending his thespian fame from Channel 4. Sebastian Shaw is a touchingly doddery Gravedigger, and Kenneth Branagh an outstanding Laertes. His sibling relationship is one of the evening's strongest elements, in fact. For Frances Barber's Ophelia, too, is a great success—her pitiful snatches of song are drowned out in her own great floods of heaving sorrow. Nicholas Farrell is a distinct and audible Horatio.

WORLD VALUE OF THE POUND
every Tuesday in the Financial Times

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the *Arts appears each Friday.*

Sept 10-13

Music

LONDON

BBC Symphony Orchestra conducted by David Atherton with Alexander Baillie, cello. Britten, Walton and first performance of Colin Matthews' Cello Concerto. Royal Albert Hall (Mon) (5899465).

City of Birmingham Symphony Orchestra conducted by Simon Rattle with Yo Yo Ma, cello. Tippett, Shostakovich and Nielsen. Royal Albert Hall (Tue).

BBC Welsh Symphony Orchestra conducted by Erich Bergel with Gillian Weir, organ. Messiaen, Mathias and Franck. Royal Albert Hall (Wed).

BBC Symphony Orchestra conducted by James Loughran with Peter Frankl, piano. Haydn, Bartok and Mahler. Royal Albert Hall (Thur).

PARIS

Orchestre de Paris conducted by Claude Bardon: Beethoven and Berlioz (Mon 8.30pm). Unesco, Salle 1, 125 Ave de Suffren.

Percussion, piano and Ensemble Intercontemporain's brass: Ballif, Stockhausen, Aperghis, Xenakis, Messiaen, Boucoure-Chliev (Thur 8.30pm). Maison de la Radio, 116 Ave du Pot Kennedy, Métro Passy.

NEW YORK

Academy of Ancient Music Chamber Ensemble (Alice Tully): All Bach programme (Tue, Wed). Lincoln Centre (9621911).

WASHINGTON

National Symphony (Concert Hall): Rafael Frubbeck de Burgos conducting, Emanuel Ax piano. Beethoven, Brahms (Thur). Kennedy Center (2543776).

WEST GERMANY

Berlin, Philharmonie: The Berlin Philharmonic Orchestra, conducted by Christoph von Dohanyi with violinist Gidon Kremer, a German premiere by Schnittke composed for the Berlin festival. Also Bach and Richard Strauss (Tues).

BRUSSELS

Palais de Beaux Arts: Philippe Herreweghe with the Choir and Orchestra of the Chapelle Royale de Paris and the Collegium Vocale and Hannover Knabenchor. Bach's St Matthew Passion (Wed). (5125045).

VIENNA

Lieder Evening with Wolfgang Holzmair, baritone, Roswitha Sigl, piano. Schubert, Mahler, Fauré, Duparc and Ravel. Studio Molière, Liechtensteinstrasse (Mon).

TOKYO

Andrew Watts, piano: Beethoven, Brahms, Chopin. Tokyo Bunka Kaikan (Tue). (2834338).

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Monday September 10 1984

High costs of collaboration

THE PROPOSED European Fighter Aircraft which, with the accession of the Dutch last week, involves six European governments, will be a crucial test of European collaboration in defence procurement. In theory, if six countries agree to standardise their requirements for a new fighter and place their orders with a single multinational organisation, they will avoid the wasteful duplication and short production runs associated with purely national procurement policies. Yet in practice these economies of scale have proved difficult to achieve. Before the EFA is finally approved, its projected costs and benefits, compared with other ways of satisfying Europe's needs, will have to be scrutinised with very great care.

The danger with government-sponsored joint ventures in this field is that they can spawn cumbersome bureaucratic superstructures and lead to long delays and cost overruns. Collaboration can add to research and development expenditure — all three partners in the Tornado multi-role combat aircraft, for example, insisted on building prototypes and the R and D cost premium has been estimated at up to 500 per cent. Work has tended to be shared between partners irrationally, on political rather than economic criteria. Partners have under-estimated the extent of their requirements. The result has been either the extra expense of several variants or a compromise which meets nobody's real needs.

Efficient solution

In the early negotiations over the EFA there has been much haggling between the three senior partners — Britain, France and West Germany — over specifications, the choice of engine and design leadership. This is natural enough, but as Mr Michael Heseltine, the British Defence Secretary, pointed out in a speech last week: "The crucial question is how far each of us at a national level will come to accept that efficient management of an individual project may require management leadership by a foreign firm and that a divergence between financial contributions and work share may well be the efficient solution from the defence point of view." No country could accept "losing out across the board," he said. "We need to seek to square the circle by 'juste retour' trade-offs across the defence business as a whole, coupled with competition and efficient management at the project level."

The best projects are likely to be those handled by a single company which is free to choose its suppliers and sub-contractors on a purely commercial basis. The Anglo-French helicopter co-operation succeeded in part because one of the two partners, Aerospatiale and Westland, was named as prime contractor for each of the three aircraft; management responsibility was not blurred.

Competitive bidding

Ideally the prime contractor should be chosen through competitive bidding, as is normally the case in the U.S. It is the allocation of work to national companies on a non-competitive basis which accounts for the fragmentation of Europe's defence industry. As Mr Heseltine noted last week, within Nato there are 11 different firms in seven different countries working on anti-tank weapons, 18 firms in seven countries working on ground-to-air weapons.

These numbers would be reduced if there was a more open market in defence products. That would be the most effective way of rationalising the European defence industry and securing economies of scale. But in the present stage of European integration governments are reluctant to allow their leading defence contractors to go out of business or to be controlled from overseas. Government-led collaboration is very much a second best solution. The challenge is to use it, not as a cloak for national protectionism, but in a way which matches as closely as possible the competitive model.

The failing of some past collaborative projects is that the incentives for efficiency and cost reduction have been too weak. The first step is for governments to set out the alternatives—a purely national project, or buying from the U.S.—and to give the financial, industrial or political reasons why European collaboration is deemed to be preferable. As Dr Keith Hartley has pointed out, in considering joint projects such as the Tornado voters and taxpayers need to be aware of the sacrifices involved. Once a collaborative venture is launched, governments should seek every opportunity to inject competition into the procurement process, so that the principles of specialisation and comparative advantage are allowed to operate.

Economic threat to Israel

ISRAEL takes justifiable pride in the democratic values it has established amidst the dictatorships and traditionalist monarchies of the Middle East. Yet the State of Israel is in danger of becoming an illusion. For all its military prowess and its ever-expanding borders. It is a country which cannot stand on its own two feet.

Economically Israel is well on the way to the status of a U.S. client state; and even politically, its future now depends as much on the whims of the American electorate as on the will of the Jewish people.

The economic crisis in Israel derives from a combination of enormous defence spending, swollen further by the invasion of Lebanon and the outgoing government's accelerated programme of West Bank settlements, and a series of consumption subsidies which successive Likud governments have deployed to maintain their popularity even at times of dissatisfaction about the nation's foreign policy and defence.

Aid inadequate

In the past, the books have been balanced by a volume of U.S. aid which has made the Israeli's the most heavily-subsidised people on earth; the grants they have received per capita are three times the total income of the average Indian, for instance. In addition, foreign borrowings have saddled Israeli citizens with a debt per capita seven times the level in Brazil.

Now even the annual $2.6bn (£2.1bn) which Israel receives from the U.S. is inadequate. Next years Israel is likely to ask for nearly twice as much, even though this will amount to more than half of the U.S.'s total overseas aid expenditure.

Israel's true friends in the U.S. and the outside world should resist such appeals. Whatever coalition of leaders is finally formed after July's indecisive elections, the people and politicians of Israel must bear the costs of creating a stable self-sufficient economy, capable of supporting a genuinely sovereign nation. The long-term survival of a truly independent Jewish state cannot be assured by the generosity of U.S. taxpayers or the political adroitness of Israel's supporters in the U.S. Political favouritism is a slender thread on which to hang the future of a country, no matter how wealthy, generous and apparently consistent the patron.

Sooner or later a U.S. president may be elected who does not depend on the votes and financial support of the Jewish lobby and who weighs the Western world's interests in Middle East stability above the need to support any particular Israeli Government. Indeed, at times the Reagan Administration seemed to be moving gingerly in this direction during the 1982 invasion of Lebanon.

Facing reality

If this happens, Israel will not be abandoned either by the U.S. or Europe; but it will be forced to adjust suddenly to a lonely reality in a less than sympathetic world. The more Israel is encouraged to exploit its privileged access to the U.S. Treasury in the meantime, the greater will be the danger and pain when the addiction has finally to be broken.

There will be danger, as well as pain, when Israel is finally forced to face economic reality, because the U.S.'s open purse does more than allow Israel to live beyond its means. More importantly, it underwrites the costs of military and foreign policies which run counter to Israel's own long-term interests, as well as to those of the West.

If Israel cannot pay its debts, it should be made to or turn for help — and economic supervision — to the International Monetary Fund, like any other debtor nation.

Such rigour should not be confused with insouciance about Israel's survival — an interpretation to which arms embargoes, for example, have been subject. Israel must be offered the means to defend itself under all circumstances. But this does not imply that the Israeli people should remain insulated from the costs of whatever defence and economic policies their leaders have chosen.

INDIAN POLITICS

Mrs Gandhi brings down a heavy hand

By John Elliott in New Delhi

MRS INDIRA GANDHI, India's Prime Minister, whose family has ruled the country for most of the past 37 years, is preparing the ground for the general election she is due to hold by mid-January. And she is becoming fearful of losing outright power.

This single fact lies behind virtually all the stormy, and sometimes violent, political events that have hit the country recently. They include the dismissal of a state government led by a former film star N. T. R. Rama Rao in Andhra Pradesh, the continuing Sikh crisis in the Punjab, the handling of the troubles in Sri Lanka and, on a different level, the transfer of India's highly respected Industry and Commerce Minister to run the electorally significant northern state of Uttar Pradesh.

In the process, people have sometimes been hurt, democratic principles have sometimes been bent and the power of money and patronage sometimes overshadows the ballot box.

However this may be viewed inside and outside India, Mrs Gandhi's main success has been that this vast and disparate nation of 700m people, over 15 major languages, and six main religions has held together and is still showing no significant signs of breaking up.

Every corner of the country has its own traditions, ambitions and tensions complicated by increasingly regional pressures like those that helped to put Rama Rao's fledgling regional Andhra Pradesh Party into power 21 months ago. And they are always overlaid with complications of religion and caste.

Even the Rama Rao has been exacerbated by Hindu-Muslim tension in Andhra's capital city of Hyderabad where 11 people died in riots last month. Moreover Rama Rao's election as chief minister marked the entry into top-level Andhra politics of a small local professional people's caste called the Kammas (who usually have Rao in their name) at the expense of the Reddies who run Congress I locally and are business? men as well as politicians.

Mrs Gandhi's skill at holding India together and keeping it on a basically democratic path cannot be doubted. And more recently she has moved with equal skill to open up the country's economy to foreign co-operation.

But her *style* of government can put the country under extreme strain as she balances regional and other forces, and the temptation to adopt the principle of divide and rule to stay in power is never far away.

In Andhra Pradesh, where Rama Rao was toppled from his Chief Minister's post within hours of returning from open heart surgery in the U.S., Mrs Gandhi and her aides seem to have gone too far in aiding his overthrow—even though they deny involvement—and they are suffering a serious backlash in the south.

The cruellest side of Indian politics was demonstrated by Mr Bhaskara Rao, Rama Rao's former Finance Minister, who led the coup and must now prove his political support in a vote in the legislative assembly tomorrow. The organiser of two unsuccessful coups against former Chief Ministers, he said in his Hyderabad office: "Why should I bother about his heart? More than 90 members of the legislative assembly had taken a decision to support me. The state's concern is more important than his heart."

In the event, Rama Rao's heart problem has now become a significant factor in Indian politics. If, as is quite possible, he strains his emotions too much and dies addressing rallies of more than 100,000 to 200,000 people who turn out to see him almost every night, a national folk hero will certainly have been created.

In his film star days, Rama Rao made a fortune playing Hindu gods. Now, his critics say, he seems to believe he is one himself. Recently tens of thousands of people lined rural highways and attended impromptu village meetings and bigger city rallies as he travelled in his chaitanya ratham or chariot—a converted green pre-war Chevrolet van. They came, of course, to see a film star hero but they also saw a man who, despite his failing health, is being talked about as a potentiad opposition leader.

Away from the emotions of southern Indian politics and the headiness of late night mass rallies, such an idea may seem far fetched. Yet there is no other opposition leader with much charisma, and Mrs Gandhi has unintentionally helped turn this ageing, and not specially able administrator—who entered politics only two years ago and became a curiosity because of his film star past—into a potential national figure.

She has been annoyed by his attempts in the past year to rally India's fragmented opposition into some sort of united force and now sympathy for the way he has been handled could turn him into the first major national figure to emerge from India's growing number of regional parties which generally operate only in individual states.

Opposition leaders in various parts of the country are now talking about ways of linking up to fight Congress I and the Rama Rao affair has given this effort a sharper focus and greater impetus. Some agreement about sharing out seats, among the 12 or so main parties, maybe with a common policy programme, is possible.

The Rama Rao affair has thus accentuated Mrs Gandhi's basic insecurity. Some weeks ago her aides are believed to have estimated that she might lose a significant number of seats in the south of India in the general election instead of picking up extra seats to offset possible losses in the north.

Despite denials from her and from Congress Party leaders, it is now widely believed in India that on August 15 Congress I decided to try to oust both Rama Rao and the Janata Party's government in the neighbouring state of Karnataka.

The Chief Minister of Karnataka is Mr Ramakrishna Hedge, an experienced politician whose adminstrative and political competence contrasts sharply with the somewhat otherworldly amateurishness of Rama Rao. Both men led their parties to surprise victories over Congress I in regional elections 21 months ago, a major blow to Mrs Gandhi's power and prestige.

India has 22 states, each with a government headed by a Chief Minister elected every five years, usually at the same time as the general election. Each state also has a governor chosen by the Prime Minister and appointed by the country's President. The governors are supposed to sit above party politics, acting like the national president. But increasingly under Mrs Gandhi they have become her emissaries, appointed to do her bidding and often taking a lead in toppling opposition regimes—for example the former governor of Jammu and Kashmir, Mr B. K. Nehru, a relation of Mrs Gandhi was replaced by her after he opposed plans to topple Farooq Abdullah's administration and a more pliant governor was installed.

Where the Congress Party rules in a state, Mrs Gandhi also tends to appoint and dismiss Chief Ministers with some regularity. "The problem is she always acts through other people so its always other people who get the blame if it goes wrong," says Mr M. Raghupathi, the Karnataka Education Minister and friend of Rama Rao.

This was a reference to the way Mrs Gandhi publicly disclaimed knowledge or responsibility for the Rama Rao crisis at the same time as the Andhra governor and Congress I state legislature chairman resigned, admitting all responsibility. "I don't know how far she was involved in the detail, but everyone in her party knows that no very important decision is taken without her knowledge nor very often without her approval, says Mr Hegde, who worked with Mrs Gandhi in the old Congress Party till she split it in 1969.

The current round of the "toppling game" as it is known started early last year as soon as Congress I lost power in Karnataka and Andhra Pradesh.

The toppling activity developed into a row late last year when tapes were published of Congress I leaders trying to buy the support of a Hedge supporter for more than £13,000. Congress I insists the tapes were fakes, but the dirt has stuck.

Mrs Gandhi's preference is always to replace a toppled regime with a group loyal to her. If this proves impossible, she imposes President's rule, which means suspending the elected assembly and ruling direct from Delhi through the state governor. This has happened in Sikkim and might happen in Andhra if Mr Bhaskara Rao does not prove his majority tomorrow. (Presidential rule has also been imposed in the Punjab because of the Sikh crises.)

Mrs Gandhi does all this for two main reasons. One is to bolster her own natoinal position. The other is to gain control of the states before the election so that she can use the administrative machinery and police for the benefit of Congress.

Whether such moves—for which Mrs Gandhi and her aides deny all responsibility—are counter-productive is open to debate. The Rama Rao episode may well, many observers think, lose Mrs Gandhi the gains in electoral popularity among the country's majority Hindu population that she won by dealing firmly with the Sikhs in the Punjab Golden Temple.

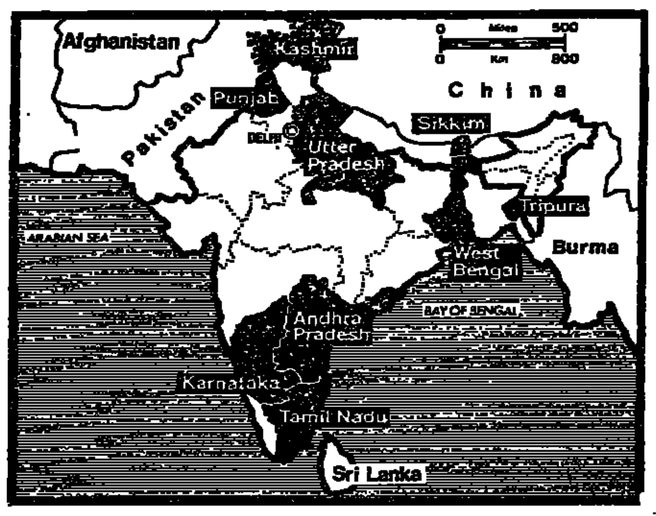
Some political observers suggest that she will now fear the risk of losing the election so much that she will delay the polls, change the political system so she can become a directly elected president, or even repeat her 1975-77 state of emergency, arguing that the country is too volatile for an elections campaign.

In the heat of the pre-election period many of the economic and social advances Mrs Gandhi has made since she last became Prime Minister in 1980 are forgotten as public attention is concentrated on her political manoeuvrings. And the less democratic options in her list of choices cannot be finally ruled out until the polls take place, however much one may be convinced that her basic commitment to democracy will prevail.

In any case, it is quite possible that the Rama Rao episode will fade from the memories of the rural mass as a major voting issue, providing the old actor's health does not fail.

And Mrs Gandhi has a new powerful electoral weapon never before used in an Indian election—a national television service on which she can exercise her skill of speaking to people in India's villages in terms they understand.

The country's 116th provincial television transmitter was installed on the borders of Karnataka and Andhra last Monday, part of a plan to reach 70 per cent of the population by the end of the year. As Dr Farooq Abdullah ruefully comments: "Mrs Gandhi has the power—she has the money and she has television."



The sensitive states

OF India's 22 states, nine are especially sensitive politically and they fall into two broad groups:

1—States where the elected government has been toppled or is under pressure because it is not in line with the central Government and Congress I party of Mrs Gandhi. Jammu and Kashmir and the eastern state of Sikkim were toppled earlier this year and the latest victim is Andhra Pradesh. Karnataka and Tripura are under pressure.

Two states, Punjab and Sikkim, are under President's rule. This means their state assemblies have been suspended and they are being ruled direct from New Delhi via the states' governors.

2—Other states where Mrs Gandhi urgently needs better support. She is hoping to do a seat-sharing deal with a regional party called AIADMK in Tamil Nadu. She has sent two senior ministers to organise support in the key northern state of Uttar Pradesh, where she is irritated by Mrs Maneka Gandhi, her estranged daughter-in-law, who is standing for the town of Amethi against her son and potential heir Mr Rajiv Gandhi. In West Bengal there is a strong Communist administration in conflict with New Delhi but too strong to be toppled.

Men and Matters

Overtaking in Disneyland

The battle for the Walt Disney film and entertainments empire *is becoming as packed with* thrills and spills as any Tom and Jerry adventure. A few weeks ago, Saul Steinberg, Wall Street's wunderkind of a decade ago, withdrew from the fray after an elegantly executed "green mail" transaction, which brought showers of abuse from shareholders and congress alike.

This left him around $70m wealthier after being bought out by the group, but also facing a messy legal dispute with other shareholders.

Now Ronald Miller, president and chief executive, and the man who pushed through the decision to purchase the Steinberg shares is departing himself after a boardroom putsch.

It is not easy to determine exactly who is left in command of the field. Disney says it is looking for a new chief executive, but any decision may well have to contend with the ambitions of a number of Wall Street barons who have spotted potential in the group's property and film making inheritance. No-one has a controlling share in the $2bn group.

The man everyone is watching is Irwin Jacobs, the Minneapolis investor who has 6.9 per cent of Disney, picked up when the share price plumeted in the wake of Steinberg's retreat. Jacobs, has an avid following for his canny investment instincts and it is thought that he might team up with Kirk Kerkorian, a Hollywood wheeler-dealer, who previously backed Steinberg's assault on the company.

But Jacobs will not have it all his own way. The equally renowned investment clout of the secretive Bass family, reckoned to be one of the richest dynasties produced by Texas oil is also involved with 5.5 per cent of the action acquired some months ago. And the legitimate, if feuding, family heirs to the Disney fortune cannot be ignored.

Miller himself, a son-in-law and protege of the late Walt Disney is not a totally spent force. He might be able to marshall around 10 per cent of the equity through the holdings of his wife Diane and her close relatives.

Equally, Roy E. Disney nephew of the founder, has clearly not said his last word. It is Roy, 54, who is generally credited with organising the opposition to Miller. He has a 4 per cent stake and a clear notion about what Disney should be doing.

Off the shelf

China's Communist party, which is running a campaign to marry-off the over-30s, has told lonely hearts in Peking to be less choosy about prospective mates.

"Almost all the men insist that their wives have the face of an actress, the figure of an athlete, the attitude of a waitress, the voice of an announcer, and the culinary skills of a chef," the official Communist party newspaper, the Peoples' Daily, comments in a leading article.

However the faults are not wholly with the men. Women, says the paper, also set their sights too high wanting, "tall, educated, talented, professionals."

Such demands are apparently beyond even the resources of Communist China. Peoples' Daily confesses "This can only be found in some dream world."

Hell in Tokyo

The end of the August holiday season meant a return to "tsukin-Jigoku" or "commuter hell" for thousands of Japanese "salarymen."

According to a survey by the government management and co-ordination agency, one out of every three Japanese office workers in the Tokyo-Yokohama conurbation has a travel-to-work time of between one and two hours, a hardpressed one-in-a-hundred has an each-way commute of more than two hours.

In Japan, long commutes don't mean a chance to play chess, learn a foreign language, or brief oneself for a morning meeting. Rush hour trains are packed typically at three to five times their comfortable capacity, and the sardined passengers gently pressure-cooked by inadequate or non-existent air conditioning.

Urban roads and those of Tokyo, in particular, are so impossibly congested that it is hardly worth the while of Japanese commuters to opt out of trains and into private cars.

Some take the trouble though. A recent paper from the Taiyo Kobe Bank suggests that some salarymen are nothing if not determined. "In order to avoid traffic congestion," says the bank, "some car using commuters in Tokyo speed into the heart of the city in the congestion free small hours, sleep for a while in the park in front of the Imperial Palace, and then eat a boxed breakfast brought from home before going in to their offices."

Highland rig

Even though he lives and works in Langholm, in the Scottish borders country, John Packer is not normally associated with the tartans of his adopted land.

His speciality at Reid and Taylor, where he is chairman, is weaving some of the finest worsted cloth to be found anywhere in the world. Suits made from his cloth will sell for over £1,000 in Tokyo.

Now, though, he is about to launch his own tartan and in keeping with the flambuoyant style for which he is famous in the clothing world it will be in dark green, navy and black overchecked with garnet and Cairngorm.

What the MacDonalds, Stewarts and MacDuffs will make of this I dare not imagine. But then Packer has always carefully cultivated the Nakasones and Nakijimas of the East rather than the clans on his own doorstep.

"I see our house tartan made up into blazers or golfing trousers," he says. "There is a demand for a range of tartan or colour-matched accessories encapsulating the world of Reid and Taylor."

Under-subscribed

Meanwhile the following has been spotted in the Irish Times.

A Post Office sorter came across a letter addressed simply "God, Heaven." He opened it and found a letter from a 75-year-old widow saying "Dear God, you are my last hope. I have an electricity bill for £96 which I cannot pay. Can you help?"

The sorter was touched by hte woman's letter and showed it to his colleagues. They had a whip-round and raised £90. They put it in an envelope and sent it off to the woman anonymously.

A week later another letter arrived addressed "God, Heaven." The sorter opened it. It was a thank you note from the widow saying that she had received £90. "As you know," the letter went on, "the bill was for £96, but I suppose those thieving so-and-sos in the Post Office pinched £6 out of the letter."

Love match

The personal assistant to Jill Love the advertising and administration manager for Hawker Siddeley is called Tina Venus.

Observer

BASE LENDING RATES

A.B.N. Bank	10½%	■ Hill Samuel	§10½%
Allied Irish Bank	10½%	C. Hoare & Co.	†10½%
Amro Bank	10½%	Hongkong & Shanghai	10½%
Henry Ansbacher	10½%	Kingsnorth Trust Ltd.	10 %
Armco Trust Ltd.	11 %	Knowsley & Co. Ltd.	11 %
Associates Cap. Corp.	10½%	Lloyds Bank	10½%
Banco de Bilbao	10½%	Mallinhall Limited	10½%
Bank Hapoalim	10½%	Edward Manson & Co.	11½%
BCCI	10½%	Meghraj and Sons Ltd.	10½%
Bank of Ireland	10½%	Midland Bank	10½%
Bank of Cyprus	10½%	■ Morgan Grenfell	10½%
Bank of India	10½%	National Bk. of Kuwait	10½%
Bank of Scotland	10½%	National Girobank	10½%
Banque Belge Ltd.	10½%	National Westminster	10½%
Barclays Bank	10½%	Norwich Gen. Tst.	10½%
Beneficial Trust Ltd.	11½%	People's Tst. & Sv. Ltd.	12 %
Brit. Bank of Mid. East	10½%	R. Raphael & Sons	10½%
■ Brown Shipley	10½%	P. S. Refson & Co.	10½%
CL Bank Nederland	10½%	Roxburghe Guarantee	11½%
Canada Permn't Trust	10½%	Royal Bk. of Scotland	10½%
Cayzer Ltd.	10½%	Royal Trust Co. Canada	10½%
Cedar Holdings	11 %	■ J Henry Schroder Wagg	10½%
■ Charterhouse Japhet	10½%	Standard Chartered	‖10½%
Choulartons	11½%	Trade Dev. Bank	10½%
Citibank NA	10½%	TCB	10½%
Citibank Savings	¶12 %	Trustee Savings Bank	10½%
Clydesdale Bank	10½%	United Bank of Kuwait	10½%
C. E. Coates & Co. Ltd.	11½%	United Mizrahi Bank	10½%
Comm. Bk. N. East	10½%	Volkskas Limited	10½%
Consolidated Credits	10½%	Westpac Banking Corp.	10½%
Co-operative Bank	*10½%	Whiteaway Laidlaw	11 %
The Cyprus Popular Bk	10½%	Williams & Glyn's	10½%
Dunbar & Co. Ltd.	10½%	Wintrust Secs. Ltd.	10½%
Duncan Lawrie	10½%	Yorkshire Bank	10½%
E. T. Trust	11 %		
Exeter Trust Ltd.	11 %		
First Nat. Fin. Corp	13 %		
First Nat. Secs. Ltd.	12 %		
■ Robert Fleming & Co.	10½%		
Robert Fraser	11 %		
Grindlays Bank	‡10½%		
■ Guinness Mahon	10½%		
■ Hambros Bank	10½%		
Heritable & Gen. Trust	10½%		

■ Members of the Accepting Houses' Committee.

* 7-day deposits 7.25%, 1-month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000. 12 months 10.00%.

† 7 day deposits on sums of under £10,000 7¼%, £10,000 up to £50,000 8%, £50,000 and over 8½%.

‡ Call deposits £1,000 and over 7¼%.

‖ 21-day deposits over £1,000 8½%.

§ Demand deposits 7¼%.

¶ Mortgage base rate.

FOREIGN AFFAIRS

The demons keep coming

By Ian Davidson

THERE'S ONE thing you can say for the goings-on in the European Community: they never fail to live down to one's worst expectations.

Other parts of the international scene may occasionally offer suspense, uncertainty, surprise; not the Common Market. It seems to be incurably predictable, and always for the worst. Perhaps that is why most people find it, not just depressing, but boring.

What adds a certain nightmarish quality to the general sense of predictability, is that no problem ever seems to be solved. No sooner do the member states announce, exhausted but relieved, that they have finally disposed of a particularly malevolent demon, than it reappears phantomlike, to haunt us all once more.

Just over two months ago, at Fontainebleau, the 10 heads of government staged what was supposed to be their final struggle to put an end to the long-running misery of the Community budget and Britain's excessive contributions to it. So it turned out. The Nine at last agreed to a permanent solution to the British Government's complaints, remitting 66 per cent of the UK contributions to the budget.

In return, the British Government agreed to its partners' demands that Community revenue should be increased, starting in 1986. As a counterpart, the Nine agreed to the British demand that there would be much tighter control of Community spending in future. And all this was supposed to lead to the final release of the ad hoc budgetary rebate overdue to Britain from the 1983 financial year.

What is more, this absolutely terrific package deal was decked out with all kinds of cheerful promises for the future. The negotiations for Spanish and Portuguese membership would be rapidly wound up by the end of September so that they could finally join the club at the beginning of 1986.

Two special, high-level committees would be set up, one to enhance the benefits of the Community for its luckless citizens, the other to work out ways of strengthening its political cohesion. Europe was at last going to have a future that worked.

Not a bit of it. The miraculous cycle of the seasons worked its magic once again. For six long weeks, the Community slumbered in a life-restoring summer sleep. With September, it has sprung to life once more, with a flurry of ministerial meetings, and what do we find? That nothing, or almost nothing, was *finally* settled at Fontainebleau after all.

To be sure, nobody has yet (so far as I know) actually threatened to welsh on the new system for reducing Britain's budget contributions. Nor has anybody threatened to overturn the agreement on an increase in Community revenue. But somehow, the whole package deal seems to have been inverted and expanded, and could yet be in danger of being unravelled from the other end.

The immediate *casus belli* is the fact that this year's Community budget has been grossly overspent, and there is no constitutional way of filling the gap. For the British government, this is glaring proof of the Community's traditional profligacy.

The Fontainbleau undertaking to impose much greater discipline on the Community budget has yet to be hammered out in legally binding language. But the fact that the Community institutions have been blithely prepared to spend money they do not have and cannot legally procure, and seem to believe that they will be entitled to go on doing so next year as well, makes it triply important that the new rules for budgetary discipline should be forged with hoops of steel.

For the other member states, this year's budget shortfall is merely the legacy of the past, and while the size of the deficit can be significantly reduced by economies and deferred payments, a large part of it will just have to be financed this year by the member states, willy nilly. Some of them, of course, also see this year's overspend as a wonderful challenge to the whole principle of budgetary discipline, which if properly exploited could fatally undermine the British government's strategy of screwing down the costs of the common agricultural policy.

Once again, the British government is in a minority of one. The Commission, to protect its flank from the newly-elected European Parliament, is putting the blame for the deficit on the governments of the member states: since they decided on the policies which led to the over-spend, they have a legal obligation to find the financial resources to pay for these policies, and is preparing to hale the Council of Ministers before the Court of Justice to prove the point.

Mrs Thatcher: too easy a target

Not to be out-done, the European Parliament is now getting into the act with its own spoiling game. The payment of budget rebates to Britain has long been unpopular with a large majority of Strasbourg MEPs, ostensibly because these ad hoc deals were an affront to Community doctrine, in reality because they meant a reduction in the net receipts (or, in the case of Germany, an increase in the net contributions) of the other member states. Accordingly, the Parliament has wielded its power over the Community budget to block or delay the release of the money.

During the first half of this year, the Parliament blocked Britain's 1983 rebate because Britain was holding out on an increase in the Community's revenue base. When that condition was satisfied by the Fontainebleau deal, the Parliament imposed a new condition: agreement on the financing of this year's budget deficit. Last week, the Parliament's budgetary committee voted for even more sweeping conditions: a commitment to finance the budget deficit this year *and next*, whatever its size. When the MEPs hold a plenary session this week we may expect more self-righteous fulminations in the same vein.

Other parts of the Euro-battlefield are correspondingly bleak. The resumed negotiations with Spain and Portugal, which were supposed to be completed by the end of this month, have got off to a bad start, with a meeting at which the member states could not even agree between themselves on the terms to offer the applicants.

Meanwhile, the high-level special committee which is to plan Europe's new, dynamic future was to have held its first session last week; at the last minute, the meeting was cancelled, without explanation, but amid mutterings from the Germans that the membership of the committee was not sufficiently eminent for the task.

Admittedly, the picture is not unrelievedly grim. In the Spanish negotiations, the French government has long argued that its Mediterranean farmers must be protected against low-cost Spanish competition by special support measures. But last week they surprised everyone (not least, no doubt, their own wine-growers), by arguing for production quotas for low-quality table wine, in addition to ceilings for olive oil. On both items, the Italians (and Greeks) are still holding out, but the shift in the French position may be a good omen.

Moreover, an element of belated common sense last week started to creep into the budgetary argument, when the British Government abandoned its unrealistic thesis that the whole of this year's deficit could somehow be made to disappear by cuts and squeezes and postponements. It is now prepared to concede that, after all such expedients, there will still remain an irreducible residuum which must be financed by the member states—but only on condition that all budgetary issues are satisfactorily solved together: the release of the 1983 rebate, binding rules on budgetary discipline in future, and a 1985 budget which can be financed either within the Community's existing resources or by bringing forward the increased revenue to the latter part of next year.

If the Fontainebleau summit was supposed to be the harbinger of a new Community dawn, at least the British did not expect the sun to rise very rapidly, and certainly not until Mrs Thatcher got some reliable curbs on Community spending, especially on agriculture.

No dispassionate person could quarrel with the British objective. It is obviously absurd that Community policies should be managed or mismanaged in blithe disregard of the financial costs. It is equally absurd that, come rain or shine, the farm policy should grab two-thirds of the entire budget, at the expense of other more forward-looking activities. But one can't help wondering about the timing and the tactics, about philosophy and personalities.

In theory, this year gives Mrs Thatcher her first and her last opportunity to sort out the budget problems, because the money is running out. The theory worked well over the British rebate, but it is unlikely to work nearly as well over budgetary discipline; other governments find it easier to reduce Britain's contributions than to commit themselves to dealing large and unpredictable blows at their faming lobbies.

The farming policy is a large and unwieldy contraption which will take a long time to turn around. Its costs can only be whittled away by reducing the legal obligations to farmers, and it is arguable that the production ceilings which have already been introduced for dairy products, sugar beet and cereals, and which are on the cards for wine and olive oil, are the crucial if still inadequate first steps in the right direction.

Perhaps Mrs Thatcher believes that every little bit of extra pressure, each half turn of the screw, will be useful. But perhaps it would have been more productive not to strain so mightily and so long over this year's budget short-fall, which really is the legacy of the past; not to put too much faith in new procedures for disciplining the budget; and to concentrate more on the future.

Three months ago, the British Government circulated to the other member states an admirable paper on its vision of a politically more united Europe. The oddity is that that paper has never been publicised and is not readily available; whereas in the negotiating arena, Britain's gladiatorial postures make it too easy for the UK Government to be vilified on the Continent as the Beast of Brussels. This cannot be the right balance.

Lombard

How it really turned out

By Michael Prowse

London Central Zone,
September 10, 2024

Dear Jason

Today is Scargill Day so I'm at home and free to write. Thank Marx for your brainwave: training pigeons was a stroke of genius. I got your first letter yesterday—straight off Priscilla's foot. I can hardly believe this will reach you *uncensored*, always assuming she has the energy to fly back to Austria.

This morning I found the most extraordinary old book in the attic, covered in dust and cobwebs. It's called the *2024 Report*, by a Norman Macrae, and was written—can you believe it—way back in 1984. Well, you can imagine how eager I was to read its predictions. But I ended up in hysterics. The book is a complete riot—nothing, I repeat, nothing could have been wider of the mark.

I get the feeling it might be very subversive. Macrae must have been a "capitalist." How the book escaped the Great Conflagration of 2000 I can't imagine: you know my father was as assiduous a book burner as the next man.

When your basic training is over—only five years to go now—you really must read it. In Macrae's imaginery world people "telecommute electronically," whatever that means—we don't even have a television. People do what they want, everybody seems terribly rich and there are no shortages. My father would call it a "capitalist fantasy." He says futurologists were always incorrigibly optimistic. As for the electronics revolution, I'll bet Macrae had a better fountain pen than I do.

His error was to forget the working class. His future of individualist, information-processing entrepreneurs was only ever feasible for a few benevolent intellectuals—the like of which our Euro-Soviet zone has never seen. Incredibly, the *2024 Report*, like the "politicians" of those times, was blind to the momentous implications of the extraordinary rise in productivity brought about by devices like the macro (or was it micro?) chip. Wealth was created by fewer and fewer workers and inevitably the distribution of income became increasingly skewed towards a handful of intelligent information processors. How unjust!

There was no mechanism for halting the destruction of manual and then ordinary skilled jobs: cheap and efficient robots increasingly took over. The warnings of a few journalists that capital must be spread more evenly went unheard. A growing army of "unemployed" subsisted while the few prospered. Strangely, for years nobody understood the dangers—the unemployed were passive and the politicians complacent.

Well, you know the rest. Unemployment rose inexorably and passed the magic 10m mark in 1992, setting off the Scargill riots. Three years later, the Uprising swept away the old order, ushering in our Neo-Luddite age. The backlash against technology and electronics was sudden and savage: millions of books and machines were destroyed.

The UK experience was repeated everywhere. Marx was vindicated—the vast productivity of the few *did* spell doom for capitalism and only a 100 years later than expected. The U.S. was the last economy to fall—in the end even President Kennedy's appeasement couldn't halt the march of history.

But you are supposed to be the historian. Why am I telling you this? I've gone and exhausted my ink quota (for a week!) because of that Macrae. And it will soon be dark: we expect another power cut tonight. Unfortunately, the democratic rota threw up my father as power station chief this year. Can you imagine, a professor of a dead science—capitalist economics—being made to run a power station!

But you'll be pleased to learn that I too will soon be working. I am to teach dialectic materialism to 10-year-olds. What a prospect! My father's notes are so dull. Never mind, perhaps I'll enliven proceedings with a few Macraeisms. How could anybody be so wrong and yet so entertaining? His future sounded such fun.

Hail the Party
Samantha

The 2024 Report: A Concise History of the Future 1974-2024, by Norman Macrae. Sidgwick & Jackson, £9.95.

Letters to the Editor

The forgotten millions

From the Chairman and Chief Executive, Britannia Airways.

Sir,—A growing number of British holidaymakers (8m in 1984, or double that in airline passenger terms) interests are virtually being ignored in the debate over the Civil Aviation Authority report.

Such is the combined impact of advertising, media coverage, frequency of use by the limited few involved in the debate on scheduled airlines and the desire to personalise the battle. These holiday passengers number more than twice those carried by British Caledonian, British Midland and other UK independent airlines on scheduled routes. Furthermore, on average, they fly four times the distance.

The 8m holiday passengers are enjoying the benefit of standards and price not negotiated between Governments but arrived at by intense competition in a market made up of British and foreign airlines.

It has taken more than two decades to attract the capital and develop such consumer benefits in the face of great opposition from the British Airways of the past. Most holidaymakers are taxpayers—all are paying from discretionary income. Surely their greatest interest in privatisation is not the capital raised rather they can continue to enjoy, in the medium and longer term, the benefit of a truly competitive market—not one dominated by British Airways resulting in diminished competition and increased prices.

D. H. Davison.
Luton Airport, Bedfordshire.

Promises kept to employees

From the Company Secretary, Racal Electronics.

Sir,—Mr Coupland (September 6) asserts that Racal failed to keep its promises to safeguard the rights, including pension rights of Decca employees following Racal's takeover of Decca Group in March 1980.

Although Mr Coupland raises a question as a shareholder no doubt it relates to his own personal position only. The telex to which Mr Coupland refers was one sent from the deputy Decca chairman prior to the takeover and not one from Sir Ernest Harrison, chairman of Racal Electronics. To my knowledge all ex-Decca employees received at least their contractual entitlement, were well treated and other than Mr Coupland there are no disputes with any ex-Decca employees. Mr Coupland's duties were based on the records side of the business—which Mr Coupland admits did not form part of the takeover—but in any event Mr Coupland was offered and accepted a generous five-figure sum and a substantial topping up of his pension entitlement as an early retirement settlement. Since retirement in 1981, Mr Coupland has made what appear to be spurious claims for further sums but has failed to produce any satisfactory evidence that the previous settlement, which we believed was final, was not fair and reasonable.

It thus seems particularly uncharitable of him to promote his entirely unjustified personal grievance as if it was a view held by all ex-Decca employees.

D. E. Berry.
Racal, Western Road, Bracknell, Berks.

Scrabbled for words

From the Managing Director, International Quarry Consultants

Sir,—Becoming increasingly incredulous at Messrs MacGregor's and Scargill's scrabbling for words, may I suggest that the ingredient actually missing in their separate deliberations is simply work.

Both the board and the union employ their own geologists and mining engineers. It is perfectly possible for their specialists to actually both determine their precise definitions for what constitutes an exhausted pit in practical terms. Each set of detailed parameters could then be properly considered and reconciled—with reference to a panel of independent geologists and mining engineers for binding arbitration if necessary. Six months have passed and I regret that I see no evidence that this work has as yet even been started.

Without this work both parties will never find a word which can describe what can only be broad generalisations based on insufficiently informed opinions.

R. Davidson Binns,
3, The Gables, Vale of Health, Hampstead NW3.

We have ways of making you drive

From Mr R. Gill

Sir,—The letter from Mr Wolfenden (August 31) cannot be allowed to go without reply. I have lived and driven in Germany for 30 years, starting in 1945, when the roads were relatively safe, with the exception of the minefields along the edges and the occasional wires strung across the roads at neck height.

Of course the autobahn traffic is well disciplined, but so is the entire country. It was Lenin who noted that if Germans wanted to organise a revolution, they would first queue at the rail station to buy a ticket.

But is Mr Wolfenden really ignorant of the fact that there is a "guideline" maximum speed in Germany of 130 km/hr? May we ask what is the point of a guideline if most of the Porsches, most of the BMW 500/700 series drivers and most of the Audi 100 drivers ignore it totally and rush down on us at 180 km/hr flashing their lights and hooting? Presumably Mr W. drives in this way, but there are thousands of us who think that the guideline is sensible and enough. We are still forced to overtake the very slow traffic, which at once exposes us to some extremely impertinent behaviour from the German would-be Laudas of this world.

Does Mr Wolfenden really not know that every year more than 12,000 people are killed on the roads of Germany (about twice as many as in the UK)? When these are the results of "well disciplined" driving, I admit to occasional bouts of nostalgia for the "quaint and frustrating" road system of GB.

R. Rockingham Gill.
Daphnestr. 21,
D-8000 Munich 81, Germany.

The Royal Dockyards

From Sir John Mallabar

Sir,—Mr Brazier (September 3) and I agree that change in the Royal Dockyards is necessary, but do not agree on the form change should take. I would not argue that a trading fund is the only course available, or that in itself it will be effective without supporting changes. But I do argue that it is probably the best way in which the money available can be utilised to secure for the Navy the maximum support obtainable for its operational efficiency.

When working on a vote system there is always the fear that if money remains unspent at the end of a financial year the amount of the vote for the following year will be reduced. In consequence, as most of us with experience of Government contracts know, there is a mad rush to spend any available balances before the year end. You do not get maximum value for money so spent. A trading fund eliminates this situation.

Four committees directed specifically to the Dockyards (and countless internal studies) have taken place over the last 14 years. In addition the matter has been considered by committees for defence, for expenditure and for public accounts. No better solution than a trading fund has yet been suggested seriously. Yet the evidence recently given to the PAC indicates that MoD is yet again embarking on further studies.

I suggest that the evidence given to the PAC indicates deliberate and purposeful obstruction or else sheer incompetence. No other explanation can account for failure over 14 years to resolve a problem of real importance to the defence of the country, and to which a practicable solution was offered so long ago.

(Sir) John Mallabar.
39, Arlington House, St James's, SW1.

Snobbery, cowardice and nepotism

From Mr R. Crum

Sir,—If industry's recruitment of university graduates is based on "snobbery, cowardice and a kind of nepotism," as Michael Dixon's article (September 6) claims, then of what value is his annual league table of the employment of university graduates? It merely reflects that snobbery.

Moreover, if employers generally have a low opinion of university degrees should not the shareholders of ICI and other companies have some sharp words to say about the use of their funds to subsidise the further education of employees' children?

Again, are not the managers of UK industry totally culpable in that they spend far less on advanced training than do their major competitors, even though they apparently have so little respect for the products of the further and higher education sectors?

I would guess that either degrees et al are by no means as bad as is being made out by some people, or the Government needs to institute a rapid and forceful purge of UK industrial management as the only way of enforcing changes in their woefully outmoded and biased views.

And if industrialists first then why not politicians second?

R. E. Crum.
89 Hall Road, Norwich.

And creamed swedes

From Mr A. Scott

Sir,—I note the dismay of those in Shetland who are unable to ship their lamb to the mainland. Perhaps if they wait awhile for the dockers to tire of their strike, we can then enjoy some nice mutton with onion sauce.

A. H. Scott,
103, Beeches Road, Chelmsford, Essex.

FINANCIAL TIMES

Monday September 10 1984

Michael Morgan on Wall Street

A healthy appetite for foods

THE ACQUISITION by Ralston Purina of ITT's Continental Baking, together with Nestlé's proposed purchase of Carnation, have underlined the healthy appetite that some investors are displaying to the U.S. food processing industry.

Stock prices of many of the leading companies are running near their highs for the year amid expectations of increased earnings. A number have also been able to build substantial cash reserves and set about buying back their own shares. Carnation was one, ahead of its absorption by Nestlé.

Repurchases also enabled the diversified Consolidated Foods to reduce the average number of common shares outstanding by around 5 per cent in the year to June 30.

General Foods, a leader in packaged products, put the proceeds of its divestiture of the Gaines pet foods business towards a $256m buyback while Nabisco Brands, the biscuit manufacturer, is proceeding with a programme to reduce the number of its shares outstanding by about 10 per cent be December.

Ralston Purina, the world's largest manufacturer of dry dog and cat foods, which paid $475m for ITT's bakery unit, continues to buy back shares, having retired about 25m in the past 2½ years.

Company	Price $	P/E
Consolidated	30⅝	10
General Foods	58⅝	8
Gerber	24⅝	9
Kellogg	33⅝	10
Nabisco	46⅝	10
Quaker	66⅝	10
Ralston	30⅝	11

Such operations have helped to buoy the share prices. As measured by the Standard and Poor's food industry index, they have risen 8.99 points to 143.07 since January, compared with a 1.24 dip to 186.81 in the S&P 400 industrial index, measuring the broader market.

None the less, with some estimates of earnings this year for the industry as a whole rising $400m to $4.8bn on sales up $10bn to $125bn, analysts see attractions in the sector for investors looking for defensive stocks.

Among companies reporting figures for the 12 months to June 30, Quaker Oats – which also has interests in toy manufacture and retailing – lifted earnings per share to $6.52 from the previous year's $5.83, and Consolidated Foods boosted earnings to $3.25 from $2.88.

Gerber Products, which accounts for about 70 per cent of the U.S. baby food market, saw its earnings per share rise to $2.48 in the year to March from the previous $1.95, and analysts see a further improvement this year. Ralston Purina raised earnings to $2.23 a share in the first three quarters to June 30 from the previous year's $1.98.

General Foods, a leader in packaged products, lifted earnings to $6.10 in the year to March 31 from $5.73, and its first-quarter figures for the current year were up to $1.41 from $1.15.

Kellogg earnings rose just 4 cents in the first half to $1.65, but improved sales are expected to give impetus to the full-year figures.

Nabisco earnings dipped to $1.79 a share in the first half from $2.09, and full-year results are expected to be little different from 1983. However, new product development and marketing are expected to pay off in 1985.

CPC International, one of the largest corn refiners, saw earnings down in the 1983 year. A marginal improvement to $1.75 a share for the first half of this year is expected to gather momentum through to next year. Carnation's first-half earnings rose to $3.22 a share from $2.91.

The strength of the dollar has proved an impediment to companies such as CPC, which looks abroad for around 60 per cent of sales. Nabisco and Kellogg, both with substantial foreign sales, have also felt the effects.

In other respects, the year has proved a good one. Mr George Novello, analyst at E.F. Hutton, says the strength of the economy and relatively low inflation have ensured that prices of foodstuffs have risen only modestly, and that has helped the sector to build sales.

Prospects for a much improved U.S. harvest have also restrained the cost of raw materials for companies such as General Foods, General Mills, which processes and markets foods, and Quaker.

Mr Novello notes that stable raw material costs usually help to improve investors' perception of the industry.

But he cautions: "Probably no more than 8 to 10 per cent of the total cost structure is geared towards the raw materials, so that even if corn or wheat were to go up or down in price, the impact would be minimal. The perception is significantly greater than the reality."

Gold mines strike may widen S. Africa tension

BY ANTHONY ROBINSON IN JOHANNESBURG

THE BLACK townships around Johannesburg buried their dead at the weekend after a week of rioting over proposed rent increases and other grievances, which left 32 killed and more than 100 injured.

The main targets of the rioting were local black councillors, made responsible by South Africa's outgoing all-white parliament for raising the money to fund township expenses, as well as black and Asian shops.

Widespread resentment at low educational standards in black schools, and demands for parent and student representation on school boards, have also raised tensions, as has anger at the exclusion of blacks from the constitutional changes that came into operation last week when the riots were at their height.

However, the rapidly deteriorating living standards of black workers and rising unemployment in the black townships – as the economy wilts under the effect of high interest rates, high inflation and a declining gold price – appear to be a prime underlying influence. Ford and General Motors have just announced a further 554 redundancies in the Eastern Cape, but it is in the Johannesburg area, where the bulk of industry is concentrated, that the recession is hitting hardest.

The all-important gold mining industry, which provides nearly half South Africa's export earnings, has been insulated against the decline of the dollar gold price by the falling rand. Management determination to contain escalating costs, however, has led to a deadlock in negotiations with the recently formed Black National Union of Mineworkers, which last week called the first legal strike by black miners for next weekend.

The strike will be an important test of the new union, which claims the allegiance of 70,000 of the 428,000 blacks working in the gold mines, although the paid-up membership is believed to be only 15,000.

The strike risks injecting a new element of tension in the mining compounds along the Reef and in the Orange Free State in addition to the simmering resentment of the black townships.

The Government is believed to be unhappy at the way in which the violence in townships like Sharpeville, Lekoa and Daveytown has drawn world attention away from the inauguration of the new tricameral parliament last week. The new system provides separate chambers for whites and the minority coloured (mixed-race) and Asian populations but excludes blacks, ensures a built-in majority for whites, and concentrates power in the hand of the new President, Mr P. W. Botha, the former Prime Minister. At the weekend the authorities banned all meetings called to commemorate the death of black consciousness leader Steve Biko in police custody seven years ago.

NatWest subsidiary in talks to buy Hong Kong stockbroker

BY JOHN MOORE, CITY CORRESPONDENT, IN LONDON

COUNTY BANK, the merchant banking subsidiary of National Westminster Bank of the UK, is holding talks with John Watson and Co, a Hong Kong stockbroker, in an effort to acquire the business. The move marks another effort by the National Westminster group to expand into international securities.

Mr Charles Villiers, chief executive of County Bank, said yesterday: "We are talking to them. We hope to do a deal by the end of the month."

In February this year, National Westminster took a 29.9 per cent stake in Bisgood, Bishop, one of the top five stockjobbers or market makers on the London Stock Exchange.

In July, National Westminster, the UK's second largest bank, agreed to buy a 5 per cent stake in Fielding, Newson-Smith, the London stockbroking business. The bank said it intended to raise its stake to 100 per cent once Stock Exchange rules on outside ownership were relaxed.

Mr Villiers said yesterday: "We are using the building block principle – using constituent parts of the business and building them up.

"Although Bisgood Bishop has an important U.S. operation and Fielding Newson-Smith has a strong UK base, we need to have a base in various parts of the world. We need a base for dealing in securities in the Far East."

National Westminster and County join the growing list of banks and financial groups which are anxious to develop Far East securities operations as the financial services revolution gains momentum.

In May this year, Baring Brothers, the merchant bank, acquired the Far Eastern operations of stockbrokers Henderson Crosthwaite. Exco, the money broker with financial service interests, has a Far Eastern stockbroking arm through W. I. Carr (Overseas). Citicorp, the largest bank in the U.S., acquired control of the Far Eastern operations of Vickers da Costa, the London stockbroker, which is estimated to generate a quarter of all foreign equity commissions on the overseas portfolios handled by all brokers.

Mr Villiers said John Watson and Co employed about 30 people.

Paris squeezes public spending

Continued from Page 1

the legislative elections in early 1986.

Mr Pierre Bérégovoy, the Finance Minister, had initially hoped it might be possible to revive growth and hence reduce the number of jobless – somewhat earlier.

Of the FFr 45bn to be given away in tax deductions, FFr 10bn will come from a 5 per cent cut in income tax, FFr 10bn from a reduction in corporate taxation and FFr 13bn from the removal of a special levy to help to finance social security payments.

Although the budget will be presented as boosting investment in the modernisation of the French economy, confidential Finance Ministry figures show that the share of fixed capital investment in the state budget has fallen over the last decade. Whereas fixed investment absorbed 7.7 per cent of budget expenditure in 1976, it will absorb only 5.5 per cent next year.

The budget is based on a 2 per cent real growth in GNP next year after a 1.2 per cent increase this year. In part, the boost will come from a significant increase in household purchasing power, which, after being stagnant or negative for the last two years, is to rise by 1.6 per cent in 1985.

Although wage levels in real terms will not rise next year, as the Government is to try and impose a norm of about 4.5 per cent in the public sector, the increases will come from the fall in taxation and an increase in social security payments.

The risk in the budget strategy is that the combination of rising consumer demand and higher levels of private and public-sector investment will lead to a further worsening in the trade deficit by sucking in more imports. The recovery in France's external payments position is still fragile.

U.S. bans bearer form for state securities

By Stewart Fleming in Washington

BOWING to pressure from Congress, Mr Donald Regan, the U.S. Treasury Secretary, has decided to ban the issue of Government-backed securities in bearer form, which can facilitate tax evasion by U.S. citizens.

Mr Regan's decision clears up the main remaining uncertainty about how the U.S. Government intends to exploit the decision to eliminate the 30 per cent withholding tax foreigners had to pay when they invested in U.S. securities.

One aim of the decision to lift the withholding tax was to make it easier for the U.S. Treasury to float its own paper on international financial markets and facilitate the financing of the federal budget deficit.

Last month the Treasury made clear that although U.S. corporations would be permitted to issue unregistered bearer securities to foreign investors, the U.S. Government itself would not.

Instead, the U.S. is to issue specially registered securities requiring that the financial institution handling the interest payments certify that they are not being received by anybody liable to U.S. tax.

However, several Wall Street bankers, led by Salomon Brothers, moved to re-package U.S. government securities, after "stripping" them of the interest, to sell them in unregistered "bearer" form.

The move ran into sharp criticism in Congress on the ground that it would facilitate tax evasion by U.S. citizens.

In announcing the decision, the Treasury said it was "basic to our tax law that a transaction be treated according to its substance and not its form."

Therefore a government security and a re-packaged government security should be subject to the same registration requirements.

It pointed out to that a re-packaged security issued in bearer form would compete in the marketplace against U.S. government securities.

If the re-packaged security were to secure a better yield, however, that would "not accrue to the benefit of the U.S. Government or our taxpayers but will go instead to the private intermediary."

The Treasury said the Internal Revenue Service would make regulations to require that securities backed by a U.S. Government security be issued only in registered form.

Officials made clear that they were not trying to block the stripping and re-package of government securities itself, only the issue of such securities in unregistered form.

THE LEX COLUMN

An amber light for Wall St

Not so long ago, the most fashionable outlook for the U.S. economy was a forecast of apocalyptic deflation: the financial system was about to collapse along with the dollar price of coffee, when commodity producers would default and imprudent U.S. banks crumble. Without buying this vision, moreover, perfectly sober historians of the U.S. business cycle could see output grinding to a halt some time next year, amidst the smoking wreckage of an inflationary boom. In either case, rising interest rates seemed inescapable, whether through overheating in the real economy or through the purely monetary mechanism of a liquidity shortage.

However, economic fashions wither rapidly in the American marketplace. For a start, the gloom over interest rates is currently looking slightly faded. On bond market trading desks, there are few who doubt that during the last weeks of a presidential election the Federal Reserve will err on the side of easier rates, given a choice. Extreme cynics even accuse the Fed of driving its funds rate higher recently just in order to permit a popular slide before election day.

It is no surprise, therefore, to see the deflationists in retreat, pending the next really noisy report from Latin America or another domestic crisis on the scale of Continental Illinois. What might be much more interesting, however, is renewed speculation that the economy may at last be starting to slow down – despite the normal autumn bounce in activity, and before the electoral cycle has run its full course.

The evidence behind this suspicion is not yet anything to put your shirt on, even with Mr Sprinkel's weekend talk of growth at less than 5 per cent. The economic data will not really begin to pile up until the end of next week, which brings production and capacity utilisation figures for August. A lot hinges, as well, on the flash estimate of GNP for the third quarter, which is not due until September 20. Last Friday's news of a static unemployment rate is not going to convince anybody which way the wind is blowing.

However, a few straws can be plucked out of last week's survey from the National Association of Purchasing Managers, a trend-spotting exercise akin to the CBI surveys in Britain. Even on a 12-month smoothed basis, the NAPM survey contains clear indications that some economic momentum may have been lost. Most suggestive of all, according to de Zoete & Bevan, is the rising index of vendor deliveries – a signal that hints that the pressure of final demand may already be starting to ebb.

If this turns out to be right, prospects for the bond market, at least, should be brighter than on either a deflation or a boom-and-bust hypothesis. Although the capacity utilisation index has already rung a few warning bells, there is still a possibility – thanks to the strong dollar and heavy imports – that the economy will move into 1985 without the worst symptoms of overheating: defensive price increases from manufacturers who cannot deliver, and really messy labour deals in Detroit.

And if investors come to believe that the product and labour markets are spontaneously topping out, they may start to demand a smaller inflation premium on bond yields. But the bond market has its special reasons for distrusting good times in the real economy; what is good for bonds may not be nearly so encouraging for equities. At a time when fund managers are buying bonds on the expectation of a slowdown, only an exceptionally creative salesman could hope to sell equities on a projection of higher corporate earnings growth.

Laird Group

Little has happened since the loss of the Singapore metro contract to ease Laird's task of repositioning itself predominantly as a specialised engineer. The rundown of the Transportation Systems division may now expect no respite from new British Rail diesel orders; the German metalworkers' strike has at the same time impeded the growth of the European motor components' business. Interim pre-tax profits up from £9.5m to £10.9m confirm, though, that a real start has already been made with the transformation of the group.

The big improvement in the U.S. has been spearheaded by a break-even half-year for New York Twist Drill, which lost about £1m in the prior period. The Burnley Engineering subsidiary has also turned losses of £½m into profits of about the same size. The specialist engineering division, in fact, should be capable of more than trebling profits this year to £7m or so; given some modest gain in motor components, and a strong performance by Almac Plastics in the U.S., Laird should be able to absorb a 35 per cent or so shortfall in the transport division's pre-tax profits and still manage £24m or more for the current year.

This sets the shares, up 2p on Friday night at 120p, on a prospective p/e multiple of just over 5½ times, which looks more appropriate to the former project engineering profile. Perhaps it will take a successful acquisition or two by Laird to change that: the group has just appointed an acquisitions manager, no less. Meanwhile, the cash surplus in the first half has been used to leave the balance sheet virtually debt-free with about £14m in the till.

U.S. economy 'will continue growing'

Continued from Page 1

Mr Anthony Boeckh, editor of the Bank Credit Analyst, says there is not enough slowing in the economy to give much confidence that it will take the upward pressure off interest rates.

In the face of those expectations of reduced, but still moderately strong, economic growth in the second half of 1984, investors have begun to discount the possibility that the Fed will ease its monetary policy. Nevertheless, with the presidential election approaching, it is thought that the Fed will try to keep interest rates stable to avoid charges that it is influencing the political climate.

Dr Henry Kaufman, the Salomon Brothers economist, commented on Friday that the alacrity with which the Fed injected funds into the financial markets last week suggested that the authorities "do not want the fed funds rate (the rate of interest on day-to-day bank reserves) to approach 12 per cent."

Looking further ahead into 1985, most economists expect the gradual slowdown, from real growth in the first half of 1984 of close to 9 per cent to growth in the second half of around 5 per cent, to persist into next year. Widespread disagreement exists, though, as to how smoothly the slowdown will occur.

In its latest assessment, the International Monetary Fund suggested that real growth in 1985 for the U.S. economy might be down to 4 per cent compared with an expected 7.3 per cent for 1984. The IMF pointed out, however: "It could be argued that present risks and uncertainties are greater than usual for this phase of the expansion."

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	23	73	Dubrovnik	S	23	73	Malaga	S	27	81	Salzburg	–	–	–
Akrotiri	S	29	84	Faro	S	26	79	Malta	S	30	86	Seoul	F	26	79
Algiers	F	29	84	Florence	F	23	73	Manila	C	33	91	Singapore	F	30	88
Amsterdam	R	17	63	Frankfurt	R	13	55	Miami	C	32	90	Stockholm	C	15	59
Athens	S	30	86	Funchal	S	23	73	Milan	S	21	70	Strasbourg	C	14	57
Bahrain	S	38	100	Geneva	C	15	59	Moscow	S	18	61	Sydney	S	18	64
Bangkok	C	29	84	Gibraltar	S	25	77	Munich	R	14	57	Taipei	C	33	91
Barcelona	–	–	–	Guernsey	C	18	64	Nairobi	C	26	78	Tangier	–	–	–
Beirut	S	28	82	Helsinki	R	13	55	Naples	F	24	57	Tehran	–	–	–
Belgrade	C	22	72	H Kong	S	30	86	New Delhi	C	33	92	Tel Aviv	S	28	84
Berlin	R	12	54	Innsbruck	–	–	–	New York	S	17	63	Tenerife	S	25	77
Biarritz	S	20	68	Inverness	–	–	–	Nice	S	23	73	Tokyo	R	25	77
Blackpool	F	15	59	Istanbul	S	26	79	Oporto	S	20	68	Toronto	F	18	64
Bordeaux	C	19	66	Jersey	C	17	63	Oslo	C	11	52	Tunis	–	–	–
Brussels	C	15	59	Jo'burg	S	21	70	Paris	C	17	63	Valencia	S	29	84
Budapest	F	18	64	Las Palmas	S	26	79	Prague	C	12	54	Venice	F	21	70
B. Aires	C	23	73	Lima	C	20	68	Reykjavik	S	7	45	Vienna	F	20	68
Cairo	S	34	93	Lisbon	S	29	84	Rio de J'o	C	27	81	Warsaw	C	14	57
Cape Town	C	18	64	Locarno	S	19	66	Rome	S	24	75	Zurich	C	15	59
Caracas	C	28	82	London	F	17	63								
Casablanca	S	24	75	Los Angeles	C	29	84								
Copenhagen	C	13	55	Luxembourg	R	11	52								
Corfu	S	29	84	Madrid	S	29	84								
Dublin	R	14	57	Majorca	F	27	81								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bid to resolve UK coal dispute fails

Continued from Page 1

workers. The transport unions, which have been the NUM's strongest supporters, will meet miners' leaders tomorrow. They will explore ways in which a blockade of fuel to power stations – taking in tanker drivers as well as coal trucks – can be made effective.

So far, the transport unions have been able to mount only patchy supportive action. Some coal trains have been stopped, seamen have refused to carry coal, and some drivers have not crossed picket lines. Now, the transport union leaders believe that the Trades Union Congress pledge of support agreed a week ago will encourage more of their members to show solidarity.

The executive of the pit deputies' union, Nacods, also meets tomorrow before a special delegate conference of the union in Doncaster on Wednesday – called to discuss possible action in protest against a directive from the board that the deputies cross picket lines and brave intimidation or lose pay.

The conference will discuss a possibility of withdrawing safety cover in those areas where working miners are "trickling back" but where the NUM area executive has declared the strike official.

That tactic might close those pits in North Derbyshire, Scotland, North-East England, Kent and Yorkshire where miners have returned to work, and where in some cases – notably North Derbyshire – coal is being produced.

The Engineers and Managers' Association executive meets on Wednesday to discuss its position in advance of a meeting of all the power unions a week today. Mr Tom Lyons, the EMA's general secretary, told the TUC Congress in Brighton last week that his members would not be called on to observe picket lines. He has noted, however, the possibility of their refusing to do other unions' work if they took some form of action.

Mr David Basnett, general secretary of the General, Municipal and Boilermakers' Union, is looking to the power unions' meeting next Monday for agreement to meet the mine workers' leadership to agree guidelines with them for some form of support.

Mr Neil Kinnock, the British Labour Party leader, said last night that a resolution of the mining dispute should now be possible.

Interviewed on television, he said that the desire for talks was "strong on the miners' side and is at last being responded to on the coal board's side."

Mr Leon Brittan, the Home Secretary, yesterday defended tactics used by the police during the coal dispute. When hundreds of pickets were preventing individuals from going to work, he said, "you have to use pretty direct means."

Speaking on BBC Radio, Mr Brittan said there was "a heavy duty on those who organise the strike to call off the mob." The leaders of the miners' union could do so when it suited their purposes.

In the docks dispute, the comment by Mr Ritchie Pearce, chairman of the Southampton dockers' union branch, demonstrated the importance to both sides in the dispute of the success or otherwise of the call for a resumption of normal working in London.

Port officials in London said there were already signs of a drift back. About 100 workers had reported for duty on Saturday night

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FINANCIAL TIMES SURVEY

Vehicle finance and leasing

The sector has been little affected by the Budget tax changes but tighter accounting rules may provide a future challenge. Users are benefiting from more sophisticated packages

CONTRACT HIRE COMPANIES ARE REAPING THE REWARDS OF SPECIALISATION

Innovation brings new opportunities

By Michael Prowse

"THE UK leasing industry has been shaken to its core by fundamental changes in Britain's tax structure" was how the trade journal *Leasing Digest* summed up the impact of Chancellor Lawson's Budget last March.

However, vehicle leasing has been largely unaffected by the changes and leading companies in the market say their business is "reasonably buoyant"—in spite of the sluggish sales of new cars in August. This is no contradiction: the vehicle leasing industry experienced its tax Waterloo five years ago—and emerged with flying colours.

It was in 1979 that the incoming Conservative government decided to clamp down on tax benefits for cars: 100 per cent first year allowances were scrapped and 25 per cent writing down allowances substituted in their place—the regime to which the rest of the leasing industry must adapt by 1986.

Only the comparatively small commercial vehicle segment of the market must now adjust to the loss of 100 per cent allowances: 85 per cent of vehicle leasing stands to gain from the Budget. The lower corporation tax rates, the *quid pro quo* for the loss of first year allowances, should mean that leasing contracts signed before the Budget are more lucrative than expected.

The Budget has not been the only shock for the leasing industry in 1984. Last month, the Accounting Standards Committee (ASC) finally issued its long-awaited leasing standard, SSAP 21. This could have profound consequences for the whole leasing industry, including the vehicle sector.

SSAP 21 is not much liked by the Equipment Leasing Association (ELA). Shortly before the standard was announced, Mr Tony Mitchener, chairman of the ELA, argued in vain that it ought to be reconsidered, partly because the thinking behind it was based on the era of 100 per cent first-year allowances.

This, on the face of it, is a curious argument. SSAP 21's main requirement—and surely a desirable one—is that lessees (the companies that lease equipment from lessors) should capitalise finance leases in their accounts. The argument for this has nothing to do with capital allowances.

The rationale for capitalisation, which is required in the U.S., was outlined by Mr Ian Hay Davison, who was responsible for SSAP 21 during his two-year stint as ASC chairman, in the foreword to the accounting standard.

An asset, whether it is owned, leased or held under a hire-purchase contract, represents an economic resource for a business which the accounts ought to reflect in a consistent manner.

Misleading

If leased assets are not capitalised, "potentially large liabilities can build up off a company's balance sheet." Its accounts will present a misleading picture—both to external users and managers. Return on capital employed can appear artificially high and gearing will be understated.

The ASC recognises that capitalisation may cause transitional difficulties for lessees so it has given the industry plenty of time to prepare for the change: the requirement does not take effect until 1987.

Will the new capitalisation condition cause a shrinkage of the vehicle leasing market? Lessors are naturally playing down the problem. Mr Chick Henderson, managing director of Dial Contracts, for example, does not deny that SSAP 21 will have an effect. But he doubts whether the desire to keep liabilities off balance sheet was ever an important motivation for vehicle leasing.

In any case the capitalisation requirement applies only to finance leases—leases that "transfer substantially all the risks and rewards of ownership of an asset to the lessee," in the jargon of SSAP 21.

An expanding sector in vehicle leasing is contract hire and fleet management. Under contract hire, a car is leased for a fixed period—say two years—and the lessor takes responsibility for resale: the lessee avoids the risk of misjudging the rate of depreciation and consequently in future the need to capitalise the asset.

Vehicle leasing statistics are notoriously poor. The most comprehensive figures are supplied by the British Vehicle Rental and Leasing Association (BVRLA). It estimates (see table) that its members, car fleets account for 45 to 50 per cent of all cars leased in the UK. This suggests there are about ½m vehicles operated under finance leases, contract hire or fleet management arrangements.

The BVRLA's statistics provide confirmation of a steady expansion of vehicle leasing and contract hire in recent years. Since 1981, for example, the contract hire market has grown by about 20 per cent.

Mr Oliver Dawson, secretary of the BVRLA, reckons this steady expansion should continue. But, he argues, there is one cloud on the horizon, which affects the entire UK motor industry.

This is the proposal from the European Commission in Brussels to restrict the divergence in the prices of new cars in the EEC to 12 per cent. If this rule were implemented — which would not be for at least a year — it could mean sharp falls in the price of new cars.

The contract hire market would be affected because the price of secondhand cars — "residual values" — might also plunge. But ahead of the change, leasing might be boosted as companies waited for new car prices to fall.

It may be that the growth of contract hire and fleet management has comparatively little to do with narrow financial considerations such as tax or whether an asset appears on the balance-sheet.

Expansion could be powered by much more potent economic factors. Contract hire companies are reaping the rewards of specialisation and their ability to reduce the uncertainty faced by companies which manage their own fleets. In many big companies, transport is a relatively unimportant function which does not attract the best managers—fleets are often managed surprisingly poorly.

Efficient

The rationale behind specialisation is well-known: a company that concentrates only on the financing, purchasing, maintaining and disposing of vehicles is likely to do it more efficiently than the medium-sized company which is in business to make and sell widgets.

The rhetoric of contract hire and fleet management concerns has proved particularly convincing because recession has left companies more cost-conscious—and more concerned about cash flow. Leasing reduces risk in two ways. Rentals can be pre-set for, say, two years so the client can budget ahead knowing that fleet costs will not suddenly escalate.

Secondly, contract hire allows the lessee to ignore the vagaries of the second hand car market. Firms which manage their own fleets tend to concentrate unduly on initial purchase costs and overlook the difficulties of forecasting future "residual values."

Discrepancies in resale values are often more important than variations in purchase prices. With the recent slump in second hand values, more companies now want the professionals to bear this risk.

The average company, for which cars are a sideline, is also likely to lose money on maintenance as it will lack the sophisticated computer monitoring available to the specialist fleet manager.

Vehicle leasing has prospered in the past five years despite the sharp curtailment of tax advantages in 1979. Purely financial considerations have tended to become less important as the lessors have concentrated on providing an all-round service.

Indeed, the service of the big specialist fleet managers is now so comprehensive—encompassing, for example, credit cards for the easy payment of fuel bills, pre-delivery vehicle inspection, insurance cover, road tax and arrangements for replacement cars in the event of breakdown—that it is hard to predict what further innovations will emerge.

The performance of lessors in the motor industry suggests that the rest of the British leasing industry should adjust quite smoothly to the loss of tax benefits announced in this year's Budget. The longer-term worry is likely to be the effect of SSAP 21.

However, accounting requirements are unlikely to prove much of a brake on expansion if the leasing industry follows the trail blazed by the motor lessors and increasingly persuades companies to reassess the merits of owning capital assets.

Fleet analysis: 1981-83

	Chauff./Private hire	Self-drive rental				Contract hire/leasing/FMS				Total			
		1983		1982	1981	1983		1982	1981	1983		1982	1981
	Units	Units	Total	Total	Total	Units	Total	Total	Total	Units	Total	Total	Total
Cars (incl. estate cars)	556	54,930	72.4	71.5	72.7	198,726	86.1	85.9	84.4	254,212	82.7	82.5	81.1
Light vans and conversions (not exceeding 35 cwt)	—	14,967	19.7	20.8	18.8	18,972	8.3	8.8	9.3	33,939	11.1	11.6	11.9
Commercial vehicles/tractors	—	4,981	6.6	6.4	6.5	9,760	4.2	4.4	5.1	14,741	4.8	4.9	5.5
Trailers	—	1,004	1.3	1.3	2.0	3,409	1.4	0.9	1.2	4,413	1.4	1.0	1.5
Total	556	75,882	100%	100%	100%	230,867	100%	100%	100%	307,305	100%	100%	100%

Source: British Vehicle Rental and Leasing Association.

Companies steer away from balloons to lease purchase

How leasing works

ALASTAIR GUILD

DECISIONS about company car fleets have usually rested with *finance directors or accountants*, not unnaturally, perhaps, in light of the financial repercussions involved.

Before 1979, when 100 per cent allowances were available to lessors and lessees on rental payments, finance houses encouraged a *growth* in finance leases where a proportion of the residual value of the vehicle is paid at the expiry of the lease *(a balloon lease)*. Three months' rental was normally paid at the start of the lease, followed by 21 monthly rentals, then a two-month pause. A 40 per cent balloon—the outstanding capital sum paid out of the sale proceeds of the vehicle—was due in the 24th month.

Lessees were attracted to this type of lease by reduced monthly repayments and the absence of any capital repayments during the period of the lease. This helped ease the company's cash flow.

Many companies are now steering away from large balloons, realising that it is preferable to climb out of one vehicle and use the balance of the sale proceeds to put down on a replacement vehicle, rather than to pay off the balloon.

Lease purchase is now offered as an alternative to the balloon lease by most leasing companies. Lease purchase is particularly attractive for companies which are:

● Non VAT-registered. If a company is VAT registered it will pay VAT on rentals;

● Cash rich and want to preserve cash resources for *other needs*;

● Nevertheless value the physical ownership of the vehicle;

● Paying tax. If the lessee is paying tax, it benefits from a 75 per cent first-year capital allowance for commercial vehicles and a 25 per cent writing down allowance for business cars.

A lease purchase agreement is effectively low deposit hire purchase. It may be structured with a balloon at the expiry of of the payment period — lessees tend to opt for a much smaller balloon than they did previously — or as a full payout agreement. Then the lessee matches the estimated residual value of the vehicle with the monthly rental.

A *fixed-term lease* may be chosen by a lessee as an alternative to a balloon lease or lease purchase for several reasons. One is that the residual value of a particular vehicle may be exceptionally difficult to predict, so that the company may not want to risk having to pay off a balloon with what might be minimal sale proceeds.

Cashflow problems

Under a fixed-term lease, rental payments cover the *purchase price plus interest on capital*. At the end of the lease, the lessor—or the lessee as agent—sells the vehicle, with the lessee typically receiving 90-95 per cent of the amount realised as a rebate of rentals.

However, the high monthly rentals may present many companies with cashflow problems.

Whether a lessee opts for lease purchase, fixed-term (fully amortised) or balloon lease, it bears the risk of depreciation. With contract hire, this is not so—at least in theory. At the end of the contract hire period, the lessee returns the vehicle with no charges to pay or risks to bear.

The contract hire companies cover themselves by imposing quite firm conditions on how *the vehicle is serviced and* repaired by the lessee. They take their profit ranging between 4 per cent and 7 per cent of the average funds invested in the vehicle.

This, according to Mr Len Clayton, sales director of Swan National Leasing, is no more than a fair return for the services offered, particularly under *contract hire with maintenance*. The basic idea is that the contract hire company takes the administrative and maintenance problems associated with running a fleet away from the lessee.

Too often, lease decisions are still made by finance directors on a purely financial basis, says Mr Clayton. However, leasing is not just a financial matter. Firstly, customers need professional advice on the choice of fleet cars. Often disastrous losses are incurred on the sale of cars acquired under a finance lease.

It is important, he says, to know where to look for deals from car manufacturers. Mr Clayton claims an improvement of at least £250 on buying over any of his customers. This, linked to an improvement on disposal of between £130 and £150, "means a massive gain on depreciation."

Contract hire companies offer guarantees on the residual value of the car at the end of the contract, a guarantee on interest rates, on maintenance and repair costs at trade prices and an instant replacement vehicle for any car off the road. It is also normal for provision to be made for tyres, for example and for insurance with the AA or RAC.

Mr Clayton feels that much more could be done to improve the way company cars are run. *Last year*, Swan issued a "£1m quality car challenge." The aim was to radically improve the values of returning vehicles and thus, to improve the all-round standard of the fleet.

"Given that 50 per cent of a vehicle's operation costs lie in *depreciation, it cannot be right* to throw away between £150 and £350 per car in extra depreciation simply because the driver cannot be bothered to care for his vehicle." Any company returning better than average vehicles at the end of the contract will receive a review of its fleet discount terms.

Fleet management companies manage a company's own fleet, offering discounts on purchase, favourable labour and replacement costs, monitoring of those costs and disposal of the used fleet.

Attractive method

The method of disposal at the end of a lease can have a significant impact on the amount received for a second-hand vehicle. A contract hire company—in the case of contract hire—or the lessee—in the case of a finance lease—has four options. It could, for example, advertise in The Times. This is normally worthwhile only for the more expensive range of company car, such as the Rolls-Royce, Jaguar or BMW, as a lot of time can be taken up showing people cars.

A company replacing its fleet of say 50 cars could sell them as a job lot to a trader. This way, the company can avoid being left with the cars in the worst condition. Some leasing companies have specialists who monitor the used car situation around the country and know which traders are paying the best prices.

An increasingly attractive method of disposal is the auction. Whereas formerly it was only the trader who could afford to take the risk on buying secondhand cars at auction, the private bidder is attracted by the warranties now offered.

Auctions are also attractive to lessees or contract hire companies because they can put a reserve price on the car, either as part of a lot or individually. Auction companies will give the seller the option of selling at *a lower price if it does not* reach the reserve price.

Vauxhall's rise stirs market

The manufacturers

ARTHUR SMITH

THE RISE of Vauxhall in the fleet car market over the past two years owes much to the *essential elements demanded* by the leasing industry, argues Mr John Chamberlain, the company's rent and leasing manager: "The lessor will inevitably recommend and aggressively market products on which he can eventually achieve a respectable residual value and which have not over the preceding months cost him a fortune in maintenance."

Breakthrough

The breakthrough achieved by the *UK subsidiary of General* Motors is acclaimed by the latest survey conducted by the British Vehicle Rental and Leasing.

A questionnaire completed by nearly 600 association members reported that Vauxhall gained *last year* at the expense of Ford, Austin Rover and Peugeot Talbot. Vauxhall/Opel supplied 22.2 per cent of members' car fleets, dramatically up on the 13.8 per cent of the previous year and the 9.3 per cent of 1981.

BL over the same period slipped from 13.9 per cent to 13,1, Ford from 61 per cent to 50.3, and Peugeot from 5.7 to 2.0. Imports from within the European Community nudged up from 7.7 per cent to 9.4, while other foreign coutries improved from 1.3 per cent to 2.4.

Ford, dominant for years with the successful Cortina, now finds itself squeezed not only by the resurgence of Vauxhall with the Cavalier but also the re-entry of Austin Rover as a serious contender with the *Montego launched earlier this* year.

The dramatic changes taking place in the car market are not reflected in commercial vehicle fleets, according to the British Vehicle Rental and Leasing Association. The survey showed Ford losing ground but remaining dominant with almost half the members' vehicles, BL second, at 16.8 per cent, and Vauxhall/Opel taking 9.2 per cent. Imports continued their steady advance to reach 11.3 per cent.

The attention the manufacturers are devoting to leasing and fleet facilities in general is typified by Mr Tony Darwall-Smith, fleet marketing manager of Austin Rover.

"He stresses the importance of continuously strengthening *the dealer network, its expert*ise and sophistication. Linked with that are the terms offered by Austin Rover Finance, the in-house operation owned jointly Lombard.

The finance company, lauched originally under the *BL name in 1977, was formed to* take advantage of the rapid growth of leasing during the 1970s. But expansion continues apace. Austin Rover Finance is projecting a turnover of more than £100m this year compared with £70m last year and *only £42m in 1982*.

Utilising the Lombard facilities, Austin Rover claims a national network of 115 branch offices with specialists in regional offices. "We can offer a whole range of leasing and contract hire in order to attract the large fleets," Mr Darwell-Smith says.

For the self-employed and small businessman, Austin Rover has developed a package sold through selected dealers in the network. Called British Car Contracts, the scheme is aimed initially at the fast-growing contract hire but a number of leasing packages are to be announced.

Another initiative in which leasing has been given prominence is the creation of a fleet specialist network of some 100 *to 125 dealers*. About 60 have been appointed this year and the programme is expected to be completed by the middle of 1985.

Support from Austin Rover will come not in extra profit margins on the cars supplied but through help with joint marketing, and from advice and consultancy.

Initiatives

Austin Rover's initiatives to cater for the leasing and fleet market reflect the fact that for the first time the company believes it has in the Montego a serious competitor in the upper medium car sector — which last year accounted for 27 per cent of UK registrations, at 483,000.

Austin Rover in its calculations noted that about 60 per cent of all cars sold in the upper medium sector are bought by companies or major fleet operators. "No other market in Europe has such a high proportion of cars going to business buyers," Mr Darwell-Smith says.

Another factor of which the manufacturers are concious is the louder voice that drivers of company cars have in the choice of vehicle. Employees increasingly are allowed to choose from a restricted list supplied by the management or opt for any make of car within a set price range.

To that end Austin Rover organised a number of "research clinics" both in the *UK and Europe to sound out* the views of hundreds of consumers. Equally, operators of both small and large fleets were invited to view and test drive the Montego prototypes to ensure that their requirements were built into the final product.

*Ford, conscious of the pres*sure on its Sierra range to hold the ground established by the Cortina, is keeping a keen eye on the leasing market. Ford, like Vauxhall, has about 150 specialist dealers to handle the major fleets. Moreover, the company points out that most dealers are part of Ford leasing systems and able to provide a lease or contract-hire package geared to the needs of the customer.

Ford has launched a new car leasing system to enable dealers to compete in the expanding contract-hire market. Ford Contract Motoring, backed by Ford Motor Credit, is aimed, like the Austin Rover scheme, at the smaller businesses.

Mr Ernie Thompson, director of car sales, said recent research showed that the percentage of cars on contract-hire to smaller fleets was only half that of the larger operators.

Pointing to the potential offered by the smaller company, he suggested changes in accounting procedures would reinforce the trend from finance leasing to contract-hire.

But Mr Thompson also draws attention to one of the prime concerns of the leasing market —the residual value of the car.

Vauxhall, building upon the success of the Cavalier in the fleet market, believes that this months' launch of the new Astra will by next year give the General Motor's subsidiary a fairly equal market share with Austin Rover behind Ford. Vauxhall is forecasting an 18.8 per cent share in 1985 compared with the expected 16 per cent this year and 14.6 per cent of 1983.

Mr John Chamberlain, Vauxhall's rental and leasing manager, insists that the company's 665 dealers can offer competitive leasing terms. "Some dealers choose to use the facilities offered by the General Motors Acceptance Corporation. Others use independent finance houses. We do not dictate."

Mr Chamberlain insists that the leasing arrangements, while important, do not form any element of the price-cutting or hidden subsidy. He also cautions the customer when comparing the quotes: "It is always important to be sure you are comparing apples with apples — there are so many different variables."

VEHICLE FINANCE AND LEASING 3

On this and the next two pages, **Alastair Guild** looks at some of the companies involved in the leasing business

PRE-1979, leasing companies could claim a 100 per cent allowance against a vehicle in the first year of its life, then pass the tax benefit on to the lessee. That tax advantage, which attracted a lot of finance houses and clearing banks to company car fleet financing, was removed by the 1979 Budget.

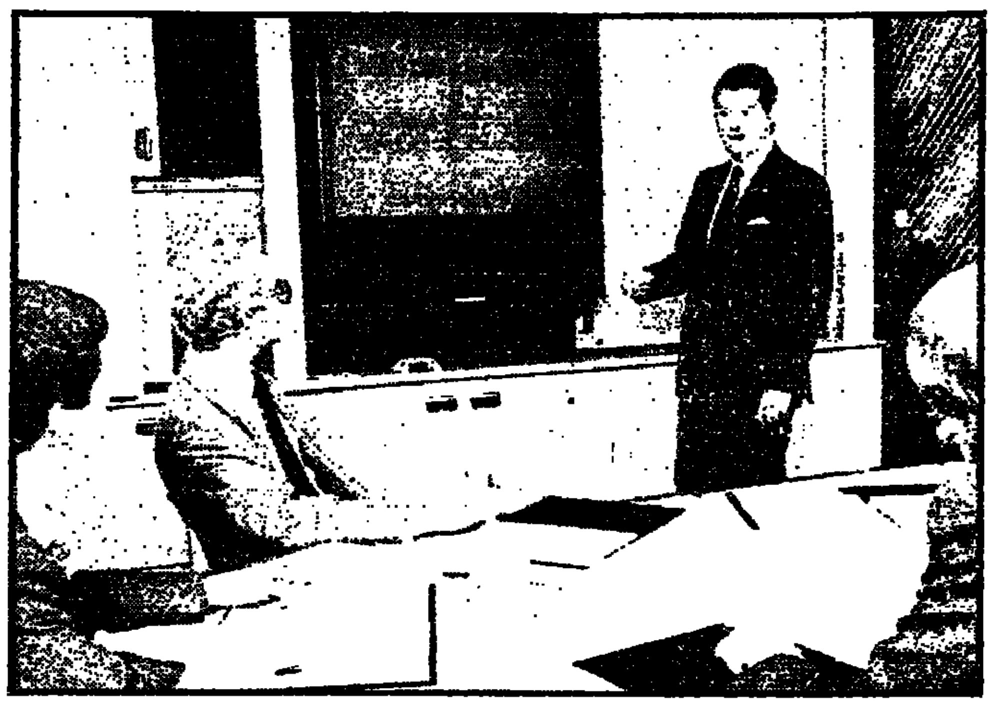
Since then, a number of finance houses, anticipating a growing trend away from pure finance leasing to contract hire, with all the service that now implies, have themselves set up contract hire and fleet management divisions.

Distinctions are gradually being blurred, therefore. Nevertheless, contract hire companies, though they invariably seek the backing of a bank or finance house, are proud of their motor trade roots. This, they believe, gives them an intricate knowledge of where to go to get the best buy for their customers, for example, and how to realise the best residual value for the car at the end of the contract hire period. This is reflected in the monthly rentals.

For finance houses—so one theory goes—vehicle leasing is just like any other form of leasing business. They don't have the expert knowledge to advise on optimum fleet policy, or the local contacts to be able to provide a truly nationwide network of service for their leasing or contract hire clients.

Now, larger finance houses are increasingly attracting dealerships to offer finance leasing or contract hire at that local level. These finance houses are also training branch employees to advise dealers on the intricacies of finance leasing and contract hire.

This has lead to concern, certainly among some "independent leasing companies" at what they see as the hold of finance houses on car dealers, through commission offered for selling finance packages. The rates, it is pointed out, can vary considerably and the company fleet administrator should be encouraged to shop around.



Dominic Suddaby of PHH: "We leave the client with the same measure of autonomy and flexibility that he had with his fleet before"

Management rather than risk-taking

PHH

PHH originated the business of fleet management in the U.S. in 1946. It has been the market leader there ever since and now has nearly 750,000 vehicles in North America and the UK using its services.

"We started in the UK in late 1972 and again originated the idea of fleet management services here. We had a tough start," explains Mr Dominic Suddaby, deputy managing director of PHH.

"First of all it was a completely new type of business. The only way of getting outside services for a fleet before that was to go to contract hire. Also, of course, the UK economy was in a difficult situation. By 1973 we were faced with the three-day week, the miners' strike, and Government regulations such as the Control of Hiring Order."

Since 1974, PHH has grown to a fleet of 160,000 vehicles using one or more of its services in the UK. "Obviously there have been periods of rapid growth and periods of relatively slower growth, but we have always been a rapidly evolving company. The only peak that I would point to in particular was that in 1980 when we bought the All Star Petrol Company.

"Until then no fleet management services package had truly comprised everything to do with the life cycle of a vehicle fleet. The missing factor had been the provision, measurement and evaluation and monitoring of fuel.

"When we bought All Star we not only opened up for ourselves a wider existing client base but we also completed the circle of services. Our growth became even more rapid thereafter."

The 1977 repeal of the Control of Hiring Order gave a boost to leasing in general and as a company which offers leasing as part of its range of services, PHH benefited from that as the whole industry did.

"However, many of our clients choose not to lease from us," says Mr Suddaby. "If you have a company in a cash-rich situation it may well want to get rid of a lot of the problems associated with the operating and managing of its vehicles but may also want to use its own money.

"Therefore the coming and going of leasing advantage doesn't affect fleet management services as it would affect a finance house or a contract hire company. We are, coincidentally, the world's largest specialist leasing company, but we don't have to sell leasing to make a living.

"The broad rule is that the larger the fleet the more applicable fleet management services are. PHH's starting point in terms of vehicle fleet size is about 50 plus. "Below that," says Mr Suddaby, "it is probably worth going to contract hire.

Measure

Because PHH is able to measure by cost centre, by type of vehicle, by service life, the broader the scale, the more important fleet management is and the greater are the potential savings, it is claimed.

"Fleet management services don't look for the same profit per unit as contract hire. We are in the risk management rather than the risk-taking business, so we look for a relatively small return per vehicle. But that, again, is predicated on dealing with very large volumes. Our systems, our computer hardware and software are all geared for volume," says Mr Suddaby.

He gives several reasons why companies are choosing fleet management. They have increasingly recognised that to use contract hire means they would first have to surrender a good deal of autonomy and flexibility in running their fleet.

Contract hire is also, he suggests, a fairly expensive way of getting an outside service. It takes the risks and therefore builds in safety factors and takes a client's normal cost and adds something to it.

"The appeal of fleet management services is that we leave the client with the same measure of autonomy and flexibility that he had with his fleet before. We don't manage it, we help him to manage it. We take his normal cost and reduce it to what it actually can be when maximum leverage and expertise are applied."

PHH has, he says, attracted a reasonable number of clients away from contract hire but the majority have come from self-management. "About 70 per cent of the fleets in this country are self-managed, so it is likely that that would be the higher proportion. Many of our clients considered contract hire and found it too expensive and restrictive.

"U.S. experience is indicative. When we started in fleet management and the flexible leasing field back in the late 1940s, most company vehicles in the U.S. were on contract hire. Today something like 80 per cent of company vehicle fleets are on fleet management services, open-ended, actual cost flexible leasing and about 250,000 vehicles are on contract hire.

In 10 years PHH had grown to 160,000 vehicles in the UK. The entire contract hire industry numbered just over 200,000 vehicles after 25 or 30 years of practice with scores of companies, says Mr Suddaby.

The comparison between the U.S. and the UK, Mr Suddaby admits, is not entirely a fair one. Here the company car is given much more as a part of the reward package whereas in the U.S. it is very much an essential tool to do the job. Even so, he points out, the practices that evolve in the U.S. often evolve in the UK rather more slowly.

Respond

PHH will respond to what it sees as the likely trend towards fleet management in Britain by improving its services. It has 350 employees doing nothing else but provide fleet management services from its head office in Swindon, has an investment in computer hardware and software running between £500,000 and £1m a year every year.

"It requires that sort of investment in systems and people and expertise that few of the individual contract hire type of companies can afford to make or are necessarily interested in making," says Mr Suddaby.

PHH has nearly 3,000 companies as clients. Of those, 2,000 are small All Star clients on the petrol card side. Of the remaining 1,000, the bedrock of large company fleets is about 500. The largest fleet is just under 4,000 vehicles.

Generally, the largest are self-financing, with PHH supplying fleet management services. PHH also has large clients who lease. PHH usually provides what it calls an equity lease—an open-ended, cost-flexible lease.

"We have some clients who are dual-sourced. These are often U.S. subsidiary companies, which will, as a principle not rely on a sole supplier of fleet management services. They can then compare one supplier with the other and keep them competitive. In those circumstances, we would generally be servicing a client alongside another fleet management company."

Mr Suddaby sees Gelco as providing the main competition to PHH in the UK fleet management industry. "Gelco, in fact, started life in the U.S. as one of our supplying dealers. Seeing fleet management as the coming thing, it developed its own operation and has been in competition ever since. It followed us in the UK about 18 months later."

An essential element in PHH's growth in the UK has been its links with its U.S. parent. The original philosophy was developed, put into practice and established in the U.S. It also has the parent's strong financial standing. Its credit rating is AA among the major credit rating companies.

This enables the UK operation to provide lease funding at a very much lower rate than most of its competitors. It also has the parent's advice, guidance and access to its technology.

Competition for fleet management business in the UK can only increase, Mr Suddaby believes. But he thinks there is room for many more than two fleet management companies. "It is inevitable that what happened in the U.S. will happen here. In the 1950s the contract hire companies converted to fleet management or went out of business or accepted the smaller end of the market.

"Here, already several of the major and some of the medium-sized contract hire companies are beginning to offer what they are pleased to call fleet management services.

Some of them are just jumping on the band wagon. In five years time there will probably be three, four or five serious fleet management companies of a size similar to PHH—if they can catch us. I would have serious doubts about that because we don't intend to stay where we are."

Confidence for dealers

LOMBARD North Central, the finance subsidiary of National Westminster Bank, is involved in all the main aspects of vehicle leasing and finance for the business user. It has been leasing vehicles since it was founded in 1861, first railway wagons for carrying coal in South Yorkshire and then road vehicles.

For the past 60 years or so, Lombard has concentrated on meeting the increasing need for financial services to facilitate car ownership. If all its services are grouped together Lombard can reasonably claim to be one of the largest financiers of vehicles in the UK.

It offers various alternative funding methods to a wide range of customers, and has what it considers to be a major asset in 112 branches around the country. This not only provides stability but also makes the organisation a little less remote, says a Lombard spokesman.

"It is not some massive insensitive outfit with salesmen running all over the country drumming up business for the central machine."

It has also made a point of meeting the needs of the vehicle dealer "so that he can, with absolute confidence, offer his existing and prospective customers anything from finance leasing to contract hire or traditional hire purchase."

The dealer has comprehensive manuals on contract hire which explain the technicalities and benefits of the various alternatives and help to identify business prospects through mailing and follow-up techniques. If the dealer still has a problem he can call the local Lombard office for immediate help.

Lombard claims that small to medium-sized business receive the same amount of attention as

Lombard

the larger businesses through a Lombard link-up at local level and have the same range of financial alternatives open to them.

It says: "Whereas a fleet of, say, eight cars would be seen to be relatively insignificant to a big contract hire/leasing group, eight cars can represent a valuable order to a local dealer.

"He is bound to look after the customer who, in turn, will maintain the relationship through having his car serviced and repaired at the place where he bought it."

On a broader level Lombard has formed a number of useful affiliations. For example, it entered into a 50:50 partnership with Lex Service to form Lombard Contract Hire, which has enabled it to offer contract hire facilities to smaller businesses through the dealers.

While Lombard has good relations with all the major manufacturers it has been a partner in Austin Rover Finance (formerly BL Finance) for some years. British Car Contracts was launched in May 1983 to make contract hire available at point of sale to small business users through over 100 approved Austin Rover dealerships.

Jaguar Cars, no longer a part of BL since its recent flotation, has joined Lombard in another partnership, Jaguar Cars Finance, to provide leasing and contract hire for Jaguar dealers' customers.

As a result of these trading links and the attention it pays to the needs of small businessmen as well as big companies, Lombard now claims to be one of the fastest-growing concerns in the contract hire market. In the year to September 1983 its contract hire interests increased by 50 per cent, it says.

Expanding to meet potential

Dial Contracts

ANYONE in any doubt about the future potential of the vehicle leasing market need venture no further than Putney in West London. There Dial Contracts has been settling into its new 35,000 sq ft headquarters having recently outgrown 10,000 sq ft of office space. The company has also embarked on a £3m programme to update its computer facilities.

Dial Contracts started in 1966 with 509 vehicles worth £390,000. It now owns almost 22,140 vehicles and expects to add 400 each month. The total cost of its present fleet is more than £100m. Mr Chick Henderson, Dial Contracts' managing director, claims that his is the only vehicle leasing company now owning more than 10,000 cars.

Mr Henderson has spent most of his working life in the motor industry. In the late 1950s, he was hired to help run British and Colonial Motors contract hire division. Lex took that company over, and he helped to run it within the Lex Group, as Vehicle Contracts, until moving to Shaw and Kilburn to head its contract hire operation, Vehicle Rentals.

Gradual

He then moved to Astley Industrial Trust who offered him the job of converting what was in effect a garage, then producing large losses, into a fully-fledged contract hire company.

"Contract hire was still very much a new idea, and growth in the early days was gradual, as we and other companies around like Godfrey Davis and Shaw and Kilburn set about educating companies into understanding its advantages."

Budgeting was much easier in the 1960s, points out Mr Henderson, not just due to smaller fleet sizes but because market factors were so much more predictable. Inflation was constant at between three and four per cent each year. New vehicle prices and used vehicle prices kept pace, in tandem and forecasting did not need to be an art.

In 1968-69, he arranged to purchase and lease back the entire Reed International fleet

Chick Henderson: confidence has paid off

of 1,700 cars and Dial's fleet size virtually trebled overnight. Reed is still a customer.

Then, in 1971, came the second landmark. Dial's parent company, Astley Industrial Trust, was taken over by Mercantile Credit. This gave access to finance house funds, an even more significant benefit when Mercantile joined Barclays in 1976.

According to Mr Henderson, the major growth phase was between 1977 and 1979, when fleet size more than doubled from 6,400 to 13,000 units, following the relaxation of the Control of Hiring Order.

Throughout its development, Dial has adhered to a strict policy of aiming at a balanced fleet overall, matching large leases with a commensurate number of medium and small lessees.

That said, the sheer size of its present fleet, says Mr Henderson, offers several advantages. Dial is able to spread the risk of depreciation across many more car models than the smaller leasing company. Further, the customer can be offered a total fleet operation. For example, Dial as a group has about 1,800 vans and commercial vehicles. "As a specialist division it is only in the last year that we have chased after that market, and recently set up an HGV division dealing with anything up to 38 tonne tractor units. It is quite a specialist field: however, this is a logical extension of our operation.

"The average fleet doesn't just have cars but extends into commercial vehicles. We had to make a deliberate decision and recruit the people with the right experience. Our confidence has paid off with that division already showing a profit."

He sees the contract hire market continuing to grow at a faster rate than finance leasing. The new accounting standard, when adopted as a Statement of Accounting Practice next year will, believes Mr Henderson attract more companies to contract hire. "One of the basic motives for many companies in effecting finance leases was that such arrangements represented "off balance sheet" financing. Many will still wish to acquire their vehicles by such an arrangement, which will continue to be offered under contract hire."

However, the rise in popularity of contract hire he attributes primarily to the growing number of customers who want a full service. "In a very volatile market where residual values have become less predictable, the idea of a fixed price, no-risk facility has become much more attractive, particularly as it has coincided with an expansion of the range of services available."

Dial Contracts has, for example, introduced an insurance plan which is designed as an integrated part of the overall fleet package. Insurance costs are fixed in advance for the entire term of the lease or contract hire agreement.

The company also takes pride in its garage network of more than 4,000 franchise dealerships, tyre, battery and exhaust depots. Day-to-day maintenance is controlled, either as a management service linked to finance leasing or as an integral part of a fixed-price contract hire package.

Service

Dial's maintenance supervisors, seated at computer terminals in the new offices, vet estimates for maintenance and repair from Dial-appointed garages, and authorise work only after referring to a vehicle's past service record stored in the company's central computer. The computer has become vital too in handling the 18,000 maintenance and repair invoices which come in each month to Dial's offices.

The customer opting for the Dialcard scheme pays for petrol or diesel without any money changing hands. He also receives monthly invoices from the computer. These are supplemented by a series of management control reports which give details of each separate transaction, together with analysis of fuel consumption, maintenance costs and mileage on each individual vehicle, helping in the choice of vehicles for the future.

Dial's two IBM mainframes hold in their database the history of 60,000 vehicles, enabling precise forecasts to be made on cost, maintenance and residual values of most cars which in turn make quotations to potential lessees far more reliable.

Offering benefits to cash-flow

United Dominion Trust

UNITED DOMINION TRUST, founded over 60 years ago, has always had links with the motor industry ranging from a host of retail plans for dealers to a variety of dealer-support facilities and manufacturer-based unit stocking plans.

It also owns 11 motor companies. Swan National, one of the major car rental and leasing companies, is part of the group.

"This experience, coupled with the money resources of our parent company, the Trustee Savings Bank Group, enables us to handle all forms of vehicle leasing," says Mr Hamish Paton, formerly managing director of Transfleet Services, and now responsible for the motor side of UDT's business, including fleet sales and leasing.

"We laboured for many years without the huge tax shelter available to competitors who are subsidiaries of the clearing banks. That problem was solved with the TSB takeover," he added.

After a relatively short time in the fleet market, UDT is now financing some 15,000 vehicles. "With 65 per cent of all new cars purchased by businesses, many of which are leased, we are capitalising on providing finance plans which particularly take into account the customer's cash flow. This is seen as a vital element to ensure there is no strain on customer repayments," says Mr Paton.

Strategy

He believes that the fully-amortised open-ended lease written over a longer period than the intended life of the fleet, with the ability to settle early at predetermined figures, gives the best possible cash-flow benefits.

UDT's strategy is built on that plan. "It is particularly attractive to customers, as the early settlement figures are calculated actuarially with no penalty," says Mr Paton.

These features have been combined with multiple vehicle documentation to reduce paperwork, and a stand-alone computer system which, on a monthly invoice, produces accounting for all units by make, model and registration number. It quotes the rental,

Hamish Paton: range of facilities

VAT, and the amount due on a common payment date. The system handles large and small vehicle fleets.

Apart from open-ended leasing, UDT has developed a range of facilities to satisfy particular needs, including open-ended lease purchase and balloon leases for both the fleet and the small business user.

Mr Paton sees a trend towards contract hire, probably stimulated by the proposals in Accounting Standards ED29 to capitalise finance leases in the accounts of the lessee.

"It is also true that many fleet customers regard cars as essential tools of their trade, but the management of the vehicles they would rather leave to experts," he says. "We feel we can offer from within our group the financial, operational and maintenance services for customers who want contract hire.

"We also make available a back-to-back facility to contract hire operators and leasing companies who want to use their own documentation and collection systems."

Mr Paton is confident that UDT can expand its share of the vehicle leasing business. Within the last 12 months, a separate fleet and leasing department has been established. Fleet sales and leasing executives, strategically placed up and down the country, are solely engaged in selling fleet finance plans.

They have undergone extensive training. Mr Paton regards them as consultants, experts who are able to discuss customers' needs and advise them on the most suitable method of finance.

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FT9/84

Small fleet market

Leasedrive

ONE OF the greatest untapped markets in vehicle leasing is the company with a small- to medium-sized fleet. Mr Brian Sneath, managing director of Leasedrive, found confirmation of that analysis when he recently discovered that none of the five companies which share the Crowthorne premises where he is based had been approached by a contract hire company.

He originally reached his conclusion, however, as divisional general manager of Marley Vehicle Leasing. The problem for the larger operators, says Mr Sneath, is that to capture a significant volume of this growth area, they have to devote a disproportionate amount of resources.

"We aim to offer the same services as a large leasing company but on a local level. A medium-sized fleet operator looks for service but he is also after personal contact. Dealerships offer a localised service, but as they are applied by large contract hire companies they don't offer specialist advice on contract hire."

Leasedrive is finding that the largest proportion of its new customers have been converted to contract hire from other forms of vehicle acquisition.

Many of the small fleet operators have not been educated in the pros and cons of contract hire, he is convinced, because continuous contact has not been maintained by the leasing industry. The company's first two years' objectives reflect this educational task. It is marketing primarily by direct mail to companies that do not already lease, and has had a 5 per cent response on its initial mailings, "showing that the smaller fleet market is eager for information."

"Of the estimated 1.7m cars registered approximately 1m will be registered by company operators.

"Of that total, an estimated 650,000 will go to the 70,000 or so companies with fleets between one and 25 vehicles. Leasedrive has been geared to that market whereas the big leasing companies have gone for volume. It is impossible to hit both the small and large volume with the marketing spend that companies have."

Launched at the beginning of this year, Leasedrive owned 165 vehicles by the end of last month, with a further 150 planned by the end of 1984. Next year it plans to acquire an additional 400 cars. "As we progressively perform according to our original forecasts, we will find it easier to raise finance.

"We started with two major credit facilities from large finance houses and £500,000 of vehicle finance from a private company which is one of our minority shareholders."

The company's present fleet is made up of 70 per cent British badged vehicles and 30 per cent European badged. Its average car value is not based on the L specification but on a higher specification, so that it contract hires a proportion of Cavalier SRIs, for example. This again reflects the smaller fleet customer who is not governed, as with many larger company fleets, by a very strict company car policy.

From its base in Berkshire, Leasedrive is well situated to serve the Thames Valley area which is predominantly populated by service-based industry and is strong in new technology companies. "You tend to find," comments Mr Sneath, "that the middle manager in a medium-sized computer company, for example, can negotiate the kind of car he wants.

"This, in turn, gives Leasedrive a better mix, the risk is spread as there is no abundance of one type of model being returned once the period of contract hire has ended."

Brian Sneath (left) and the Leasedrive team: offering a localised service based on personal contact.

The company offers across the range leasing schemes, including not only contract hire with or without maintenance but also finance leasing and sale and leaseback. The standard arrangement is that the customer chooses an authorised dealer. The dealer is given an identity card. Any repair work that is going to cost over £25 needs authorisation from Leasedrive. However, any emergency repair work can be carried out without authorisation.

Leasedrive also offers a fuel card which, claims Mr Sneath, many of the larger contract hire companies do not want to supply to the small fleet user. In addition, because it is a small company, he maintains, it has built up a good relationship with Mondial Assistance, which, in turn, offers a competitive breakdown service including car recovery and home assistance.

"We operate a Commodore computer-based rate calculation and fleet analysis and maintenance control systems, enabling us to react quickly to the demands of the customer.

"Our first stage of development," says Mr Sneath, "is to reach a fleet size of about 1,000 vehicles. After that we may well look into franchising throughout the country, setting up separate profit centres with autonomous management which will be able to tap into a central base for expertise."

Budget changes give new stimulus

Europa Leasing

EUROPA LEASING looks back with barely concealed satisfaction at the fundamental changes this year's Budget made to the leasing industry. At the heart of the Chancellor's proposals was the phasing-out over a two-year period of first-year capital allowances—previously 100 per cent.

The 13-year-old UK system of accelerated depreciation for tax purposes was arguably the most attractive investment incentive available in any of the Western economies. Consequently, it fostered an industry which expects to write £3bn of new business this year.

"But this market was almost totally dominated by a very small group of leasing companies owned by the clearing banks. Independent lessors such as Europa intend to secure their share of a market where product knowledge and innovative approaches to problems will now be as important as the availability of tax shelter was in the past," says Mr Peter Jasilkowski, Europa's chief executive, who helped to set up a similar operation for Mercantile House in 1974 and was involved in running RP Martin Leasing from 1977.

During that time, his experience as a pure broker or fee-earning consultant to both lessees and lessors led him to define a market requirement for a leasing company that could perform a similar role to that of a U.S. investment banker providing asset finance.

Effectively, an independent lessor is a broker who can and will underwrite a transaction as a principal. Accordingly, while Europa is also developing its own portfolio of leases, a large proportion of its business is re-sold to other leasing companies.

Mr Jasilkowski says: "Flexibility and the ability to give a quick commitment is the only way to meet the needs of an increasingly sophisticated and competitive market. Provided the credit is right we can underwrite or place most transactions within 48 hours.

"We still have a heavily tax-orientated leasing market, at least until next March, so timing differences continue to have dramatic effects on the pricing of transactions. Obviously the closer a lessor is to his year-end, the 'finer' his charge-out rate can be. Therefore, while lessor A may offer the most competitive rates in, say, December, lessor B, with a different year-end, may well have the edge in March.

"As an independent lessor in constant contact with the rest of the market we can not only offer the most attractive terms available at that time, but also unlike a pure broker we can 'warehouse' the transaction to give the customer a speedy decision."

This approach has led to the company being involved in some prestigious projects outside the vehicle market, such as the recently completed funding for Virgin Records' Boeing 747, worth more than £1m and, on the Continent, a £15m aircraft project for a sovereign risk European carrier.

On the domestic front, the company's sponsorship of a Porsche racing car in the 1984 Porsche Challenge Series was aimed at underlining its determination to make its name familiar to decision-makers in industry, particularly the fleet and executive car market.

Wide range

Europa offers a wide range of packages from a pure finance lease to contract hire. If any of these are not ideal, it offers contract purchase — akin to fleet management — where the use of the vehicle is obtained outright but the price reflects the anticipated residual value as well as the provision of a particular maintenance and support package.

As with outright purchase, the customer is free to replace the vehicle at any time.

Mr Jasilkowski says: "An independent lessor will, at all times, have the ability to achieve a competitive facility from among the several hundreds of sources of finance leases and contract hire without promoting one in particular. Differing credit and other constraints mean that a cost and cash-flow-effective deal may not be acceptable to one company but may be readily agreed by another.

"The independent, knowing the market, identifies the customer's needs and locates the most suitable funding source available. Problems, such as the capitalisation of leases under SSAP21 can be analysed and overcome."

A finance or contract hire company, Mr Jasilkowski points out, can only sell the schemes they market, even where they are prepared to acknowledge that it might not be in the customer's best interest. One insurance broker may handle all a company's insurance business but it is highly unlikely that all of it will be placed with one insurer. The moral, says Mr Jasilkowski, should be obvious.

Revised financing for heavy machines

Heavy equipment

LORNE BARLING

DEMAND FOR heavy construction equipment in Britain has declined in recent years with the slow-down in motorway building, but the major suppliers have in some cases adapted their financing arrangements to meet the changing demands of the market.

At the heavy end of this sector, earthmovers from companies such as Caterpillar of the United States and Komatsu of Japan cost as much as £250,000, while excavators will be as much as £200,000. Dumper trucks used for road building purposes range from £50,000 to £100,000 each.

The companies which require equipment of this type are the major international contractors and the specialist earthmoving concerns, which work on a wide range of projects, often sub-contracting for the majors.

The financial arrangements for the acquisition or use of such expensive equipment are often complex, since they are very often related to the size and duration of a particular job. The object is to ensure that the equipment is kept in use or if not, can be disposed of quickly at a satisfactory price.

Slowdown

Until fairly recently, demand for heavy equipment in the Middle East was strong, and much of the surplus in the UK found its way to countries such as Saudi Arabia. However, the Middle East is now a far less receptive market, with the slowdown of capital projects.

Tarmac, the Wolverhampton-based construction company and leading road builder, says that there is also a dearth of future project work, both in Britain and overseas, which has affected demand for equipment.

The road programme had been very important to construction companies, but the industry did not see very much ahead when the M40, the Edinburgh to Newcastle road and the Felixstowe to Birmingham link have been completed.

Infrastructure work in general, such as preparation for power stations, reservoirs and ports, was now at a low level. There were a few tenders for roads around, but the road building programme really ran out of steam about three years ago.

For this reason, major suppliers such as Caterpillar had seen a fall in demand and purchasers have been careful to ensure they get the right terms in a buyer's market. Equipment prices have generally remained stable, although the high value of the dollar has meant some price increases from American suppliers.

Tarmac has pursued a policy of direct purchase of its equipment, as have most of the large construction companies, sometimes taking advantage of buy-back deals offered by suppliers. These ensure that a lorry or earthmover can be sold at a virtually fixed price, after two or three years.

Prices for used equipment are said to have held up well in the past 18 months, particularly for good quality machinery, which is in demand by sub-contractors to the specialists.

For smaller companies, work of this kind is nevertheless a risky business, since it is very capital-intensive and requires considerable skill to keep the equipment constantly in use. While a company may be able to purchase or acquire it with guaranteed work for a year or 18 months, it is more difficult beyond that.

According to H. Leverton of Maidenhead, the Caterpillar agent for a large part of the country and probably the industry's biggest supplier, demand for hydraulic excavators and other smaller machines has largely offset the problems in the large earthmover sector.

Most of the buyers of this type of machine, which sells at between £30,000 and £35,000, are small sub-contracting companies, some of which favour leasing or "rent-to-buy" agreements, which are in effect closed-end leasing deals over relatively short periods, usually about six months.

Leverton itself has a jointly-owned company with Forward Trust, called Leverton FT Finance, which offers agreements of this type, while the company can also advise on other finance sources if there is a different requirement.

However, most companies which are regular buyers of heavy plant have their own financing arrangements and in the case of larger contractors these are often in-house or inter-group.

Leverton's buy-back terms are normally negotiated on a case-by-case basis and it is happy to do business in this way, since it has a large used-equipment department which purchases at home and abroad. It is regarded as an important part of overall business.

Leverton, which has been a Unilever subsidiary since 1970, aims to provide the widest possible range of financial options and believes that Caterpillar enjoys a good enough reputation to ensure that a good second-hand sale price is achieved.

Blackwells of Earl's Colne, Essex, is one of the country's largest specialist earthmoving companies and is currently preparing the site for the new Nissan car factory near Sunderland. Its other main activities include road-building and a wide range of site work.

Experience

Like other companies, it has preferred to purchase its equipment outright with independent financing, relying on its own experience to achieve the right resale price in the market place.

"We are specialists at earthmoving and can do it cheaper than most other people; that is why the major contractors come to us," a spokesman said.

Overall, the outlook for the heavy equipment market in the UK is not good, since contractors are holding on to their machinery much longer than they have done in the past, and the volume of work is likely to continue to decline unless some major projects such as the Severn Barrage are approved.

VEHICLE FINANCE AND LEASING 7

A Ryder One-Way Rental van at work. The One-Way scheme offers a package deal to customers.

Aiming at large new market

PROFILE

Ryder Truck Rental

IN A BID to open up a new and potentially large market for vehicle rental operations, Ryder Truck Rental has launched a scheme aimed specifically at the general public but with commercial concerns also in mind.

Under the scheme, One-Way Rental, vehicles can be hired from any one of Ryder's own 16 full service stations or from 40 to 50 dealerships in the UK and returned to the one most convenient to final destination.

The vehicle therefore does not have to be returned to the initial hiring point, a major advantage for house removals and similar jobs.

Initially, Ryder has bought 150 vehicles for the scheme at a cost of about £1.5m. The chassis are Ford 0609 Cargo and Transit, with bodies by Transliner. Altogether, Ryder now has about 2,400 vehicles in the UK.

"There are other companies which offer one-way rental deals, but we believe we are offering the first scheme which incorporates a whole package geared to making things easy for any member of the public who wants to use the vehicles," says Mr Tom Lysaght, purchasing and contracts manager.

"The vehicles will have power steering, a loading ramp and a towing hitch for a tow dolly which will allow the family car to be towed behind if necessary. Besides supplying the vehicle, we provide equipment for loading and packing goods, tips on how to load, etc."

Mr Lysaght says it is the first time Ryder has tried the one-way concept in the UK, although in the U.S. the company currently operates about 18,000 one-way vehicles and is planning to increase that number.

While the scheme is being promoted in the UK mainly for people doing their own house removals, or companies relocating their own employees, Ryder believes there are also commercial opportunities in one-way rental.

"There are businesses such as shop-fitters, exhibition contractors, and computer installation companies whose need for transport often means that the vehicle is standing empty for long periods or forced to return empty to its base, which can be expensive," says Mr Lysaght.

One-way rental, he claims reduces vehicle down-time and allows the driver or installation team to return to base as soon as the job is finished.

Ryder Truck Rental has been operating in the UK since 1972 when it acquired the long-established contract hire company Fisher Renwick.

P. H.

Budget changes put under the microscope

Trucks

PHILLIP HASTINGS

CHANGES announced in this year's Budget—particularly the phased abolition of capital allowances for plant and equipment—are expected to have a strong impact on commercial vehicle leasing over the next few years.

Traditionally, companies planning to acquire new trucks and other commercial vehicles have been faced with three basic options: direct-purchase, using either available funds or by means of a short-term loan; hire-purchase or financial leasing.

Vehicles acquired by the first two methods become the property of the fleet operator. With financial leasing, the operator effectively has to take on all the risks resulting from ownership, although actual legal ownership stays with the hirer or lessor.

Over the past few years financial leasing has gained in popularity among fleet operators, largely because of various taxation anomalies and to some extent the effects of recession on company profits.

With direct-purchase and hire-purchase the vehicle owner has so far been able to get the full benefit of capital allowances, with his trucks and vans qualifying for a 100 per cent capital allowance offset against taxable profits in the year of purchase.

With recession helping to depress taxable profits throughout industry and commerce, however, many vehicle operators have been unable to match the cost of acquiring vehicles with profits and therefore unable to claim the full capital allowances. Benefits have had to be deferred or not claimed at all.

According to commercial vehicle leasing companies, this inability of fleet operators to obtain full tax relief immediately has been a major factor in the growth of financial leasing in recent years.

Split

Leasing agreements come in many forms, but the financial lease is usually a contract split into two parts. There is the first period, when the lessor recovers the cost of his investment plus a profit margin, and a secondary phase if the lessee wants to use the vehicle for longer than the period covered in the first stage of the contract.

While financial leasing agreements have hitherto gained in popularity, however, the 1984 Budget is expected to have a depressive effect on this trend, according to commercial vehicle leasing companies.

They claim that the gradual reduction of corporation tax from 50 per cent to 35 per cent by 1986 will reduce the value of any allowances when they are offset against tax. At the same time, first-year allowances currently available on leased commercial vehicles are to be progressively phased out by 1986.

Likely repercussions of these changes were highlighted in a report "Commercial Vehicles—the Economic Alternatives," commissioned by the British Road Services Group and prepared by two lecturers in accountancy at Exeter University, Terry Cooke and John Glyn.

They say: "The loss of allowances will affect both the direct purchaser, with available taxable capacity, and the lessor. In their case, leasing rates will obviously rise and the removal of the taxation anomalies may well lead to a decline in the number of lessors willing to write new business."

The report goes on to say that another form of agreement, contract hire, should now increase in popularity since it will avoid all the financial problems created by the Budget, being a fully tax deductible option constituting a normal trading expense.

Defining exactly what constitutes "contract hire" can be difficult, since the term tends to be a generic one with many companies having their own slightly different definitions. Basically, though, there are two forms of contract hire: vehicle with driver and vehicle with maintenance.

Normally, under straightforward vehicle hire, the vehicles are supplied with a limited number of additional services included in the hire price. These can include the vehicle's road tax and its replacement in the event of a breakdown. There can also be clauses covering maximum allowable mileage, while the hirer normally lays down certain conditions for servicing and repair.

Maintenance contract hire involves a far more inclusive and comprehensive arrangement under which the company hiring out the vehicles takes on full responsibility for maintenance, a breakdown service, insurance, licence and other extras up to the provision of fuel and driver.

In some cases, contract hire companies now buy up the vehicles owned by fleet operators and then provide a range of services nominated under a management agreement which results from the fleet takeover. Vehicles are subsequently replaced under an agreed programme.

The BRS-commissioned report adds: "Figures from the latest survey by the British Vehicle Rental and Leasing Association reveal that over twice as many cars are being operated on contract hire terms as under financial leases. While no exact figures are available for trucks, this trend seems quite likely to be repeated."

Similar views were expressed by another major company in the vehicle rental and contract hire field, Transfleet Services, a joint venture between Lex Services and Lombard North Central.

Allowances

Mr Michael Noel, the managing director of Transfleet Services, says that until this year's Budget the attractions of 100 per cent first-year allowances on new commercial vehicles had often been seen as outweighing the favourable operational benefits of contract hire when companies sought shelter for high taxable profits.

"Although these allowances were frequently reflected in contract hire and rental agreements, some company financial managers preferred the after-tax financial option of direct purchase," says Mr Noel.

"With the phasing out of first-year allowances, however, tax-reflected capital expenditure projects are likely to compare less favourably with hiring proposals evaluated on a cash-flow basis."

In the light of the Budget, he believes, it is likely that the benefits of contract hire, such as operational efficiencies, vehicle management, predictable costs and cash flow, will be given "their true weight" when compared with other methods of vehicle ownership.

Contract-hire rentals are of course allowable for corporation tax purposes, Mr Noel points out. They will continue to reflect whatever benefit is available to the contract hire company by way of future writing-down alowance, he adds.

Moreover, under the proposals of ED29 "Accounting for Leases" it is likely that contract-hire agreements will be classified "Operational Leases" and therefore not be subject to the same treatment as financial leases. Thus, they will not need to be reflected in the company balance-sheet.

Not all leasing companies, however, are convinced that the benefits being claimed for contract-hire arrangements are sufficient to set off any immediate rapid swing away from established leasing agreements to more comprehensive contract hire deals.

According to the BRS group sales and marketing director, Mr Richard Lovell, the changes in the Budget should cause a lot more fleet operators to look at the idea of a total package rather than a straight leasing deal.

"The aim of the report we commissioned was to open peoples' eyes to the fact that with the diminution of leasing advantages as a result of the Budget, it is now worth looking at more broadly-based packages," he says

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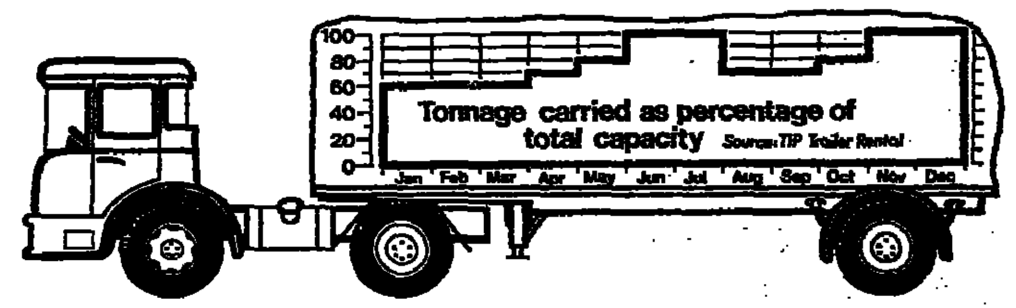
Flexible fleets meet seasonal rush



Trailers

PHILLIP HASTINGS

AS A RELATIVELY new industry in the UK, trailer rental and leasing has over the past 15 years or so become a major feature of the road transport scene.

When the concept first began to develop in the UK in the late 1960s, however, the general opinion was that it was an interesting idea but unlikely to be of lasting value.

The fact that trailer rental and leasing in its various forms has not only stayed on the road but expanded considerably is due mainly to a changed attitude in industry as a whole which is now far less committed to the idea of having to own all the equipment it needs.

Mr Jim Cleary, the UK-based managing director of TIP Trailer Rental's European operations, says: "The key these days where equipment such as trailers is concerned is 'use' rather than ownership. No company uses all its trailers all the time so why buy trailers as if it did?

"For example, hauliers who carry highly seasonal goods such as ice cream, beer, mail-order catalogues, Christmas presents and so on are embarrassed both by the shortage of suitable trailers in the high season and by the number standing idle at other times."

As evidence he has produced a table showing what he claims is a typical load pattern for a company carrying various consumer goods. It shows too many vehicles in the January-March period and not enough in the June-July and not enough in the December periods.

Sub-contracting does not help, Mr Cleary argues, since in peak periods every operator is busy at the same time.

In such cases, the trailer rental and leasing companies claim, it would probably make sense for companies to own or lease trailers for up to 75 per cent of their business and to rent additional equipment for the peak months.

Other factors which, they claim, should be taken into account include down-time for MoT tests and maintenance, since surveys have indicated that a fairly constant 10 per cent of every fleet is off the road for essential repairs and maintenance at any one time. Equipment flexibility is another argument in favour of rental, say the same companies, since special trailers can be used when required.

The raising last year of the legal vehicle weight limit to 38 tonnes also caused additional interest in the possibilities of trailer rental. With rented trailers, say the rental companies, hauliers can test new routes, new traffic and new loading patterns without having to risk their money on speculative purchases of equipment.

"Many companies have found that trailer rental is a good way to experiment with 38-tonne loads, given the uncertainty over the ideal rig and real operating costs," says one trailer rental company executive. "The increase in vehicle weights has introduced more people to trailer leasing and rental."

There are some blurred edges when defining rental and leasing agreements for trailers. Rental is claimed to be the answer to operators' short-term needs — for example, seasonal peaks and troughs, unusual delivery problems, or fleet development—without incurring unnecessary overheads.

Leasing is seen as an alternative to purchase, enabling operators to avoid tying up valuable capital which might be better used in other areas of the business. Some of the trailer rental companies offer their own leasing schemes which, they say, provide worthwhile alternatives to those available from finance houses.

Stock

TIP, for example, claims that while most finance houses will not agree to have trailers built until an order is signed (causing delays before the equipment is ready for use) it can often supply trailers straight from stock. The company also claims it can provide more flexible leases than those offered by finance houses, which tend to be for a minimum period of three years.

As part of the Building and Trailer Division of Gelco Corporation of Minneapolis, Minnesota, TIP (Transport International Pool) Trailer Rental opened its first UK branch in 1969 and now has nearly 14,000 trailers available from 50 branches in 10 European countries. Rental rather than leasing is still the bigger part of its European business, says Mr Cleary.

"We don't push one type of scheme against the other, but what we do notice now is that more people are tending to lease rather than purchase," he says. "The argument is not really about whether to lease or rent but whether to buy or lease."

The UK leasing and rental company XTRA is much more oriented towards leasing. It now has some 3,000 trailers and chassis available for leasing in the UK and Europe, where it has operated since 1975. It is now thinking of expanding its fleet both in numbers and types of unit.

"We are basically a leasing company, and will lease trailers for periods from one day to eight or 10 years," says Mr Michael Kelly XTRA's director of transport equipment in Europe.

"Normally, if the agreement covers a period of a year or more we ask the lessees to be responsible for tyre wear, maintenance and so on because if they have the equipment for that long we have to hold them responsible for legal requirements such as the MoT test. But we do offer one-year leases, where we take responsibility for servicing."

Currently, most XTRA leasing in the UK tends to be short-term and most of its customers are hauliers who, having been hard-hit by recession were still reluctant to make longer-term commitments for equipment. Although they would benefit financially if they made longer-term deals over, say, eight years, the hauliers could not predict how busy they would be such a long time ahead.

Another problem for UK trailer leasing and rental companies over the past few years of recession has been the fact that the haulage industry, with its many one-man and other small businesses, has suffered a higher than average rate of bankruptcies. Bad debts have been a serious problem for the trailer suppliers in recent years.

How the trailer leasing and rental industry will fare now there are signs that UK industry as a whole could be over the worst is still open to debate. August is usually a quiet month in the trade, but business should start to pick up in September as manufacturers resume full production after the summer break.

Mr Kelly says it was true that from September 1 onwards, business usually improves in the approach to Christmas. The big question, though is whether this improvement will continue into next year. His own view is that 1985 may be rather like 1984, a "stop-go" year.

"We are very much committed to supplying TIR trailers, the type used for exports to the continent, so if British export performance picks up so should our business. I am not that optimistic that this will happen, but I am not totally pessimistic either," says Mr Kelly.

Speaking for TIP, Mr Cleary takes a slightly more optimistic view. Besides a possible increase in business resulting from an overall improvement in UK industry, the changes announced in this year's Budget, including the phased abolition of allowances for plant and equipment, have led many companies to take a new look at their trailer operations, he believes.

"We expect to see an increase in trailer rental activities in September and we have already had more inquiries than at this time of the year for many years past," he says.

Here and on the facing page **Alastair Guild** examines some user companies' fleets

Efficient transport the key to servicing

THE GERMAN-BASED computer company, Nixdorf, has a turnover worldwide of £700m each year and has captured an estimated 35 per cent share of the European market in banking systems such as branch controllers and automated teller machines. Point of sale terminals for restaurants, shops and other retail outlets are another speciality.

The majority of its 18,500 engineers, salesmen and managers are involved in supporting customers with its hardware and software. In the UK these include the Midland Bank and the Anglia Building Society. As customers place more and more reliance on their computer systems, so prompt servicing has become vital.

Midland, for instance, now has more than 1,000 Nixdorf installations in its branches. "This poses a problem—or opportunity—in terms of engineering service," says Mr Stewart McCaw, Nixdorf's UK facilities manager with overall responsibility for its fleet.

Maintenance contracts offered by Nixdorf guarantee to have an engineer on site within one hour. In the event of a systems fault, the customer dials up one of eight Nixdorf centres in the UK from Perth to London. The fault is diagnosed at the centre and then either the fault can be repaired remotely or it may be necessary for the engineer to go out to the customer.

"In some cases, we can get repair times down to an average of 20 minutes. The key to such service, however, is providing the most efficient means of transport."

Nixdorf chose contract hire because of its flexibility. "Each contract can be tailored to suit the customer. The contract hire company has potentially every garage in the country on its payroll, so that, for example, even if the car breaks down in the Orkneys where we now service computers, the engineer is given an immediate replacement vehicle."

At one stage, Nixdorf used a fleet management company. However, it found that it was involved in so much administration and that it just did not have the expertise to meet the tight response time demanded of its engineers when a car did break down.

Nixdorf

"If the car broke down," explains Mr McCaw, "the engineer made a call to head office here in Hounslow. Our fleet administrator then had to contact the fleet management company. Invariably, the fleet management company then had to call on a car hire company, and would delegate to the car hire company the responsibility to get a replacement vehicle to the engineer.

Meanwhile, the driver would be waiting in a phone box for a phone call from any of the three parties involved. I would then be left with the problem of working out what to do with the broken down car.

"With contract hire, the driver rings the contract hire company direct. It provides a replacement vehicle and the cost is built into the contract. When you are installing systems out of normal business hours, on Saturdays or Sundays in restaurants, shops or banks, that can be additionally important.

"If a customer comes in with unique requirements, contract hire has the flexibility to cope." Mr McCaw gives as an example the engineer based on the Isle of Wight. It was calculated that the most he would travel in one year on the island would be 10,000 miles. The contract hire company was able to offer a contract for 10,000 miles instead of 20,000—the standard for the Nixdorf fleet—over 36 months instead of the normal period of 27 months.

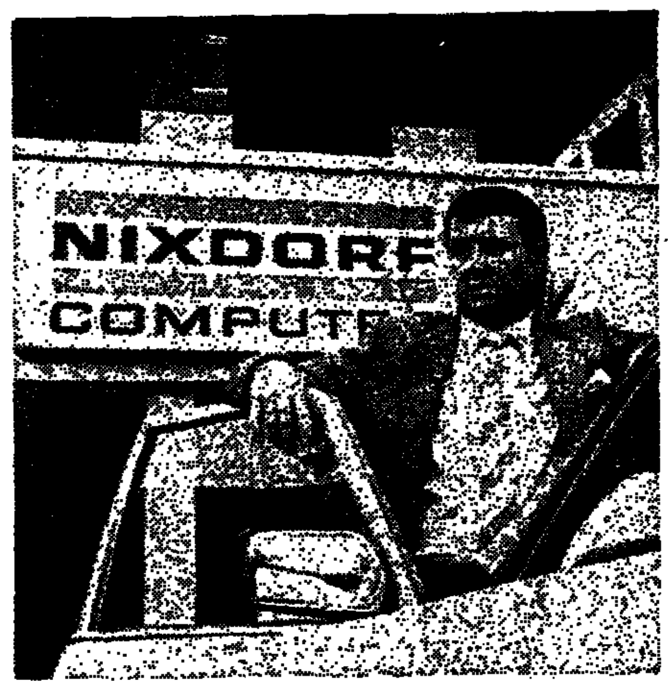
Nixdorf has opted for dual sourcing, so that it has two contract hire companies looking after its fleet. This was partly because of different fleet requirements throughout the country and partly to keep the companies competitive.

Its fleet of over 200 cars is composed of a range of makes. Ford Escorts and Cavaliers are the norm. Managers use BMWs and Mercedes. It decided on all-white cars—they are less accident prone. However, because residual values are lower, there is £2 excess to pay each month. It has also had four diesel vehicles on trial over the past year to test the cost savings and reliability.

"Another benefit of contract hire," says Mr McCaw, "is that if there was ever another fuel crisis, the contract hire companies have garages where they would keep a certain amount of fuel for contract hire customers."

Nixdorf keeps fleet costs on computer. It can pull off a printout by registration number or driver's name, to give the period of contract, when it terminates, the costs and the location. Its total fleet is now run on a day-to-day basis by one person, who also has other functions. "We have such a big fleet that we can change cars within the company to respond more rapidly to customers' needs. We also have back up vehicles on contract hire."

The company's engineers and managers make frequent trips to Germany and other parts of Europe. "If I am flying to Germany and want a car at the other end I can go to the contract hire companies and they will give me the service I demand on a rental basis because of their connections with car rental firms."



Stewart McCaw at the UK headquarters at Hounslow. Repair times can average 20 minutes

Buying/selling in-house

Philips

SEA PAINTINGS line his office walls and he talks with obvious affection of his days as a purser on liners, such as the Queen Mary. He developed a fondness for cars—"the flashy type"—on shore leave.

Mr Jim Barnett now deals with cars of a different pedigree, while the "fleet" he manages is strictly land based. As manager of Philips Electronics' car and travel department he is responsible for some 3,000 cars and Transit vans with a replacement value of £16m.

He has, however, chosen to steer a rather unusual course in the management of the company's fleet. He has kept the buying and selling in-house while, in 1982, handing over responsibility for maintenance to a fleet management company.

"We have been doing business with the same dealers for over 30 years so we have good buying and selling power," he explains. This year Philips will spend £7m on new vehicles and realise about £2.5m from sales. The dealer retains a small percentage of the price when selling a vehicle to Philips and part of any bonus he may get from the manufacturer.

Every October, Philips agrees with the dealer, car by car, how much he will pay for a second-hand car, based on Glass's Guide. Cars which are not sold on that formula are sold to Philips staff or by auction.

The company changes between 1,200 and 1,300 cars every year. All cars are changed at 50,000 miles or at an average of 30 months. "We make a profit on the deals, but only due to the volume we are handling and because we are dealing with a small number of dealers.

"We also do business with manufacturers. With the volume we buy, we get a percentage back on the cars bought. These are relationships built up over a number of years. That is why I can do it cheaper than paying a fleet management company."

Maintenance is, he says, a different problem. A fleet management company has a lot more power with garages around the country and is better able to negotiate discounts on servicing costs, for example. From 1982 to 1983, Philips reduced maintenance costs and saved an estimated £72,000.

Accountant

Mr Barnett is an accountant. It is preferable, he says, to make an accountant responsible for running a large company car fleet, than "a whizz kid engineer who knows about cars, or a personnel manager." He outlines some of the annual costs involved in Philips' fleet. On repairs and maintenance, £1m; £250,000 on short-term hire cars; £500,000 for insurance; £250,000 tax. Depreciation amounts to £4.5m, not to mention capital costs. The total fleet operation runs to £7.5m, plus £4m on fuel.

"Control of money spent is a complex thing. Some large companies running between 3,000 and 6,000 cars don't know how to control costs. That is why quite a few are handing over repsonsibility to leasing companies. Yet it would cost £200 per car per annum more for a leasing company to do what I am doing."

Philips has developed with the fleet management company a system to suit its own needs. All information on maintenance, servicing and fuel of every car is put on to magnetic tape by the fleet management company. (Philips' fleet now uses the fleet management company's fuel card). This information is then stored on Philips' mainframe. "We can take what information we want from 10 VDUs scattered around the company, and know exactly what we are doing."

Short-term replacement vehicles are also controlled from the Philips' car department based in Croydon. Swan National employees, in Swan National uniform, provide the service. "We have negotiated very good terms on daily hire rates."

Why, I asked Mr Barnett, did Philips not opt for contract hire? "Nobody can take all your worries away. We are buying 3,000 cars across the country, and may never see a car: salesmen and engineers are not noted for taking care of their cars. If we never see the car, we don't know what condition the body work is in. The leasing company would charge Philips to return it to good condition before selling it. If the car has overrun the milage set by the contract hire company, there is a hefty excess milage charge. These are just two reasons."

Jim Barnett. His land-based fleet, with a replacement value of £16m, is bought and sold at a profit.

A decentralised approach

Trusthouse Forte

THE activities of Trusthouse Forte are highly diversified, ranging from hotel management to in-flight catering. The group structure, with eight independent divisions, reflects this.

Responsibility for running company cars and commercial vehicles is, for most intents and purposes, also devolved. But decisions about overall policy are made at the group's headquarters just off Piccadilly in London. THF recently decided, for example, to hand over the running of its fleet of 1,250 cars and commercial vans to two fleet management companies.

"We are actually in the process of switching," explains Mr Colin Olds, who is the group buyer of cars. Hitherto, cars were bought centrally and the price negotiated with a dealer, the financing being done through Ford Motor Credit.

The order would be placed with the dealer, who would invoice Ford Motor Credit. THF would then spread the cost over four years, making 16 payments.

The car was sent to the transport manager of the division concerned, who would hold the registration documents. Servicing was arranged by the driver, who opened an account in the name of the division. The invoice for servicing would then be sent to his division.

At the end of the vehicle's life (THF changes a car after four years or 70,000 miles) it is returned to Mr Olds for disposal, mainly by auction.

This decentralised approach has caused some problems, however. "Once the fleet is disposed to the divisions," explains Mr Olds, "it is difficult to collate costs and so run the fleet centrally. Each division has its own accounting system.

"We decided to dual source the fleet management of our cars because we had no practical experience of fleet management companies. We wanted to keep them competitive to be able to compare their performance and we will review the position after 12 months."

In future the fleet management companies will source and place the order for the car and invoice THF, which will then pay the dealer direct. The companies will also take care of servicing, relicensing, repairs, maintenance and replacement vehicles, and, at the end of the car's service with THF, dispose of it.

They will provide THF with regular management reports, but because THF has no central computer it will not be able to link up with the fleet management companies' computers.

THF decided that its commercial vehicle fleet was so specialist that it would be better dealt with under contract hire.

Group refrigerated vehicles make regular nationwide deliveries of all kinds of foodstuffs, many of them perishable and with a short shelf life, to outlets large and small; 1,400 delivery points, including 200 hotels receive regular deliveries varying in frequency from twice a day to three times a week.

Computer control plays a major part in the distribution programme, which involves a meat processing plant, two grocery warehouses, a frozen food plant and five regional depots.

THF sought a company with national coverage and a localised network. Currently, 45 vehicles are hired and it is expected that this number will be progressively increased. The contract hire company chosen also had experience of refrigerated vehicles.

The group has special requirements in that the perishable products carried need varying degrees of temperature control. In collaboration with the contract hire company's engineers, it devised multi-compartment bodies which can be adjusted to suit the composition of the load.

In the triple-compartment vehicle deep-frozen goods can be carried at the front, heavily chilled in the centre, and lightly chilled in the rear.

Improved system of administration

Railcar Services

RAIL CAR SERVICES LTD, managing and maintaining 60 per cent of the privately-owned freight rolling stock operating on the UK rail network, found itself increasingly embroiled in the management of its own road vehicle fleet.

Its 300 employees operate from a network of 45 manned depots throughout the UK. There are approximately 100 vehicles in the fleet, some 25 are cars, the rest are mainly vans or estates, used to transport gangs and equipment. These maintenance vehicles used to be Transits but are gradually being changed over to Bedford diesel.

"Our vehicles are not concentrated in one area," explains Mr David Pickup, the company's financial controller, "so that we cannot use one garage for service. Garages differ tremendously from location to location in standards of service.

"We were finding we were not getting a prompt response. The vehicles are, in effect mobile service vans so we cannot afford to have a vehicle off the road—the rail industry runs to such tight schedules."

A lot of time was being wasted, he explains, administering the fleet on an ad hoc basis from Birmingham where the company is based. "Cars, for instance, are a very emotive subject. There is always a bit of oneupmanship, argument about who should have what. It was also very difficult to get cheques to garages which had serviced our vehicles and to get banks to clear those cheques locally.

"Officially, we had only one person looking after the fleet. Unofficially there were many more. One of our men could spend weeks trying out vehicles and still not come up with the right answer. By purchasing on an ad hoc basis and renewing according to mileage, we were wasting management time. Servicing and maintenance was always potentially unpredictable and costly."

Rail Car Services is not so big that it could afford to carry a reserve fleet. On the other hand, being part of the major U.S. Marmon Group it was not interested in finance leasing because Marmon could borrow money just as cheaply as any finance house. It had a turnover last year of $2.5bn and is rated blue chip.

"I had to ask myself: should we try to be experts in other fields, when they are only fringe to our main activity which is servicing rail car fleets?"

Mr Pickup looked around for an all inclusive deal. He tried contract hire for six months, then sale and lease back of the company fleet.

Accurate

"We can now budget very accurately, on the basis of a fixed cost/mile. It has also taken a lot of the personal animosity out of company car ownership. Employees have a choice of cars, which used to be based on cc. This is now being changed to pence/mile.

"The contract hire company recommends the appropriate type of vehicle for a particular task. Every 12 months, Mr Pickup estimates what will be Rail Car Services' requirements for the following year. He then approaches three businesses to get comparative quotes. He decided against dual sourcing. "If things do go wrong, we may have a bit more weight if we are dealing with only one supplier."

Most important of all in his choice of contract hire company are the services included. For example, the provision of an immediate replacement vehicle in the event of breakdown is vital. "You can always find someone to do the job cheaper but cheapness may not provide the most economic approach in the end."

Making a choice: the cars favoured by managers

LEASING companies favour the vehicles that regularly make up *the Top Ten in the Society of* Motor Manufacturers and Traders' statistics of car registrations. Ford, *General Motors* (Vauxhall) and BL between them take the first nine places; Volvo comes tenth.

But leasing appeals to the operator who prefers to run an up-market car while keeping his capital intact no less than it does at the lower end of the price scale.

This article considers eight of the most popular cars among the leasing companies and therefore concentrates on the upper ranges of the market—the executive models favoured by middle and senior managers rather than on the Escorts, Fiestas, Astras, Cavaliers, Metros and Maestros.

Setting a standard

Ford Granada: It is an open secret that *Ford's big car*, the German-built Granada, is due for replacement next year. Ford conceived it as *the car that* would *take* on BMW and Mercedes and there is much in common between all three makes—rear-wheel drive and all-independent suspension, for example.

The Granada never quite made it in the status race, however, despite some highly specified (and high priced) 2.8-litre V6 fuel-injected Ghia versions. But it has set a standard in the UK company car market that other manufacturers have envied and for many years it has been the best-selling big car.

No fewer than 21 Granada versions are still listed, from the price-leading 2000L at £7,665 to the £14,331 2800i Ghia estate. Every Granada has power-assisted steering as standard, users expect it, quite rightly, in this size and weight class.

The 2.3-litre V6 goes well but the 2.8-litre V6 goes better, especially the fuel-injected version with an extra 15bhp (150 against 135 bhp).

The seats are excellent, the fresh-air ventilation efficient, and the equipment ranges from *more than* adequate to elaborate almost to the point of confusion. Ride comfort is among the best in the class, with the suspension soft enough to soak up the bumps without allowing roll to develop on fast corners.

The Granada's successor next year may be expected to achieve dramatic improvements in high speed economy simply through having a more streamlined shape.

Promise being fulfilled

Rover SD-1: The big Rover hatchback is at last fulfilling the promise that attended its launch eight years ago. Quality of build, of components and paintwork has shown dramatic improvement in the past two years.

Originally, the SD-1 had the light-alloy 3.5 litre V8 engine of Buick design but it subsequently appeared with an in-line six-cylinder of 2.3 or 2.6 litre and, two years ago, with a BL "O" series 2-litre as used in the Princess.

The Rover is thus available in versions that compete with the Granada (and even "posher" Sierras) right up to the six-cylinder Jaguars at prices from £8,340 to £15,775.

Few executive-type cars can match the Rover's versatility as a load carrier. The big tailgate lifts up on to a load floor almost like an estate car's once the back seat has been folded down.

For so large a car there is a curious lack of spaciousness in the front, with a massive centre *console and, on the passenger's* side, a drop-down glove box encroaching upon legroom. The *instrument layout has* been much improved from the early models and the out-of-round *steering wheel is adjustable* so that it does not rub on tall driver's thighs.

Whereas the four-cylinder 2000 and 2.3-litre six give reasonable performance, the *really* rapid Rovers are the 2.6-litre six and, especially, the 3.5-litre V8.

The manual 3.5-litre — the gearbox is strong though unsubtle — will show surprising economy if driven with a light foot. There is a 2.4-litre turbo-diesel that feels disagreeably rough at low speeds but is a splendid Continental cruiser.

Economy and performance

BMW 525e: This is the least typical BMW in that it was designed to give users exceptional economy. Yet it manages to possess all the virtues that have made BMW so sought-after by the performance minded and status-conscious buyer.

The Eta's engine is a standard BMW in-line six-cylinder of 2.5 litres but with redesigned manifolding and other features to give it an almost diesel-like ability to develop power at low *revolutions*.

If this sounds like a recipe for a dull car of limited performance, consider this: the 525e's top speed is 115 mph, it accelerates from a standstill to 60 mph in a fraction over 10 seconds and has the same superb handling and roadholding as any other 5-series BMW.

The fuel consumption, if it is driven without any special care, can be in the low to mid 30s, which a sensibly light foot can improve to the high 30s without losing any driving enjoyment.

All BMWs, from the cheapest 316 (at £7,260 it is less than a 1.6 GL Sierra) to the £24,670 735i SE, are of basically similar design, with in-line four-cylinder or six-cylinder ohc engines combining flexibility for relaxed town driving with a touch of the tiger at high speed.

Every BMW has power-assisted steering as standard or optional equipment with the exception of the least expensive model, the £8,645 518 5-Series. All except the 525e have a choice of manual or automatic *transmission*.

Seats in the 525e, as in all BMWs, are decidedly firm but remain comfortable during long days of driving. The interiors are not conventionally luxurious—there is no sign of wood veneer, real or ersatz—but the plastic mouldings fit precisely, the instruments are angled so *they may be read without fear* of parallax error, and BMW arguably leads its competitors in the practical *application* of electronics.

Successors due to appear

Mercedes-Benz W123: After nearly nine years the compact W123 range of Mercedes-Benz cars is due for replacement. Successors to the best selling 200, 230, 240D, 280 and 300D models are expected to appear *at next year's Frankfurt show*. All these cars have the same four-door, 4/5 seat saloon body. There are also a two-door coupé variant and estate cars.

The four-cylinder 200 is not a car to set the pulse racing but its just over 100 mph maximum is also its cruising speed. The 230E is faster, the twin-ohc six-cylinder 280 is faster still, while the 300 is a five-cylinder diesel.

Family characteristics of the W123 models include over-large steering wheels covered in what looks like synthetic elephant skin, functional fascias with plainly legible dials (no electronics gimmickry for Mercedes-Benz) and seats that are, frankly, hard.

Mercedes-Benz makes no apology. Hard seats, it says, are good for you. Body panels fit properly; doors close with a soft thud. Given proper servicing, a Mercedes-Benz with 100,000 miles on the clock feels no different from a new one.

They ride well, though not with outstanding comfort, and far more tyre noise is heard by the driver than in some rivals.

Above the W123 range are the S-Type, which set an international standard of excellence for senior businessmen's transport. Below is the 190 model, the smallest car Mercedes-Benz has made for a generation.

By looking at an S-Type and a 190 it is possible to get a reasonable idea of how the W123 range's successors will appear. They will be lower and have better aerodynamic qualities, though not at the expense of headroom or visibility.

Lower drag and better ride

Ford Sierra: Alone among Europe's high-volume manufacturers, Ford decided to retain rear-wheel-drive when planning its new mid-size car, the Sierra. At its launch two years ago, Ford pointed out that Mercedes-Benz and BMW also preferred rear-wheel-drive.

A more controversial feature of the Sierra is the styling. What is beyond doubt is that the Sierra's aerodynamic drag is lower than that of most rivals, reducing fuel consumption at motorway speeds though at the cost of some sensitivity to side winds, as when overtaking speeding juggernaut lorries.

The Sierra comes with much *the same engines as were fitted* to the Cortina it was designed to replace—four-cylinder units of 1.3, 1.6 and 2-litres capacity and a 2.3 litre V6. The 2.8 V6 is reserved for the XR4i sports model. The interior layout is attractive; Ford clearly had a good look at BMW before designing the Sierra's fascia.

The greatest improvement over the Cortina is in ride comfort and handling.

How does the Sierra compare with its arch-rival, the front-wheel-drive Vauxhall Cavalier? In the lower reaches of the range, especially the 1.6-litre models, the Cavalier is to be preferred for refinement and economy, *but the* larger-engined Sierras—the 2.3 litre V6s especially—turn the tables.

Ford's interiors are nicer looking than those of all but the costliest CD 1.8-litre fuel-injected Cavaliers, although rear-wheel-drive raises the load floor a little.

Speed and sheer style

Jaguar XJ6: The Jaguar range is elderly and therein lies its strength and weakness. The 15-year-old body shape has a timeless grace and the wood veneered, leather-scented interior doesn't even try to look up-to-date. It still suggests the days when motor cars were made individually by hand.

On the debit side, the boot is small, the fascia layout owes more to tradition than modern ergonomics and, for a car of its size, there is not all that much room inside — enough for four people but not for five.

The 3.4 litre, 162 bhp twin-ohc six-cylinder engine can feel hard worked, especially if allowed to rev freely in the gears of the five-speed manual model, but the 4.2-litre, 205 bhp engine, of the same basic design, is still one of the world's great power units. The Jaguar 4.2 is no lightweight but a 4.2 automatic (the transmission is an aging GM three-speed) — personifies effortlessness. Top speed is around 130 mph and, more important, it cruises silently at 100 mph and more if need be.

The new XJ-40 Jaguar, due in less than a year, will find the XJ-6 hard to follow. The XJ-6's urbane performance on the motorway is matched by responsive steering, massive road grip and near perfect balance.

Petrol consumption does not compare well with that of more modern cars.

But for sheer style, the Jaguar takes a lot of beating. Reliability used to be the marque's weakest feature, but Jaguar's efforts to improve quality and standards among its component suppliers have paid off.

Scientific approach to economy

Audi 100: If any car epitomises the scientific approach to fuel economy, it is the Audi 100. This large five-seat saloon with an enormous boot has the performance for which a massive six-cylinder engine would have been essential a few years ago; and its fuel consumption would have flattered a small family saloon of the same period.

Aerodynamic excellence, light weight and high gearing are the secrets of the Audi's ability to cross continents rapidly and comfortably on the minimum of fuel. On one model, the 100, a 1.8-litre, four-cylinder engine is used; the up-market version has a five-cylinder unit of just over 2.1 litres.

Flush-fitting windows help to minimise wind noise and the Audi is exceptionally quiet at high cruising speeds. Perhaps it is this lack of wind roar that makes the tyre rumble, encountered on any roughly-textured road surface, all the more noticeable. It is one of the Audi's few vices.

Another is the tendency of the large areas of windscreen and rear window to attract the sun's heat to the interior.

The seats are big and firm in the German manner. As the engine is installed so far forward there is little intrusion into the passenger compartment and even by large-car standards the Audi is unusually roomy. For really exceptional economy, the Audi 100 turbo-diesel is almost in a class of its own, returning 40 or more mpg at normal cruising speeds.

Audi's 200 model, derived from the 100, is currently the world's fastest volume-produced big car, with a top speed of 143 mph from only 2.1 litres.

Soon the Quattro system of permanent four-wheel-drive will be used on the big saloon Audis. Making all four tyres share the traction, the Quattro system almost eliminates the risk of wheelspin on slippery surfaces.

New on the market

Renault 25: One cannot say that the Renault 25 is yet a favourite because it is too new on the market, but there are indications that it will become popular with business users. Its appeal is similar to that of the Audi 100 and for the same reasons—it is aerodynamically efficient, roomy, quiet and not thirsty.

Engines of 2-litre or 2.2-litre four-cylinder units or a 2.7-litre V6 with fuel injection. Five-speed manual or Renault's own three-speed automatic transmissions are offered and all 25s, except for the basic model, have power-assisted steering. Like all Renaults nowadays, the R25 has front-wheel drive.

On first acquaintance the R25 gives an impression of being large, comfortable and rather bland, but its virtues grow with mileage. The body is a cross between a saloon and a hatchback; the rear window lifts up with the bootlid, but the very high rear sill disqualifies the 25 from being a semi-estate.

Even so, the back seat folds forward, literally at the touch of a button, trebling luggage capacity. There is nothing traditional about the interior. Unlike earlier Renaults, the 25 has firm rather than soft seats but they are particularly comfortable. Although a big car, it handles nimbly and, with power steering, effortlessly.

BMW 5 Series: power steering and firm but comfortable seats for long journeys

Jaguar XJ6: wood-veneered interior and a top speed of 130 mph from its 4.2 litre engine.

Renault 25: new to the market, it is aerodynamically efficient and has front-wheel drive

SECTION II – COMPANIES AND MARKETS
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Italy geared up for large Euromarket borrowing exercises

BY ALAN FRIEDMAN IN MILAN

COULD Italy's successful recent $500m floating-rate note – the first big international fund raising in the name of the Italian republic – be a harbinger of a jumbo borrowing next year, and the year after, and the year after that?

The feeling in Italian officialdom, as well as among London Eurobankers, is that with last month's republic deal Italy managed to achieve a "bella figura." The terms for Italian borrowers are now tight, the country is viewed as a quality name and is much sought after by foreign bankers tramping weekly through Rome.

Meanwhile, Italian state agencies are climbing aboard the refinancing bandwagon, seeking slimmer margins and longer maturities. Italy's ability to maintain a low profile in the markets this year – it will in fact close 1984 as a net repayer rather than borrower – also augurs well for what might be round the corner.

What exactly is around the corner? To answer that question one need only consider that about $20bn, equal to half of Italy's public-sector foreign borrowing, will be maturing over the next four to five years. Put simply, Italy will need to refinance between $4bn and $5bn of external debt each year between 1985 and 1989.

Although long-term predictions are hard to make, it seems a fair bet that Italy will be unlikely to generate a current-account surplus big enough to take care of the maturing capital each year.

Thus cynics in the Euromarket – who tend to be right as much as wrong – may view Italy's "model behaviour" as a softening-up exercise for hefty borrowings over the next four or five years. The elements of Italy's "bella figura" are not all conspiratorial, however:

- This year, Italy's total Euroborrowings should come to about $3.5bn, against debt repayments of around $4.4bn.
- The lack of quality lending alternatives means that good European sovereign names are at the top of everyone's lists.
- Italy's ability to maintain a relatively low profile in the syndicated loan and securities markets abroad has created a certain scarcity value.
- The recent financial settlement of the long-running Banco Ambrosiano affair has made more than 100 Euromarket creditor banks feel a good deal better about life, and about Italy.

Added to those important factors is a rising confidence among foreign bankers in the handling of the Italian economy. The Euromarket does not seem to mind that Italy has a L96,000bn ($53bn), public-sector budget deficit, equal to about 15 per cent of gross domestic product (GDP). More relevant perhaps is the drop in Italy's inflation rate, from 15 per cent a year ago to 10.5 per cent at present.

"The management of the Italian economy has definitely improved over the last 12 months," remarks one London-based banker. "The terms which can be forged now for Italy are extremely tight. There is a general feeling that the Italians are getting their act together."

So Italy's name is riding high. No longer in the Eurobond market is there the embarrassing 50 to 75 basis-point premium for Italian borrowers of a couple of years ago. Like it or not, Euromarket bankers are co-operating with requests from Italian state borrowers such as Enel and INI to refinance. Italian borrowers in the credit market can now walk tall with a ⅜-½ per cent split margin over the London interbank offered rate (Libor) instead of the ½-⅝ per cent pattern of 12 to 18 months ago.

As for refinancing the $4bn to $5bn of principal falling due each year for the next four to five years, that will still be done largely through state agency borrowings. But just the same, further graceful and successful republic loans, well executed, seem certain.

INTERNATIONAL BONDS

IBM leads U.S. corporate rush

BY MAGGIE URRY IN LONDON

U.S. CORPORATES were well to the fore in the Eurodollar market last week, now that they can make issues direct from their U.S. companies rather than through the Netherlands Antilles. First in the rush was IBM – probably the Swiss investors' favourite name. It proved so popular it was doubled in size and still ended the week trading only ¼ point below its 99¾ issue price.

Syndicate managers seem happy that acceptable wording has been drafted for issue documents to protect investors from the U.S. taxman. Though a standard form has not yet been achieved – and managers were waiting for the big names like IBM to show the way – it seems that most borrowers will be happy to promise redemption at par if U.S. tax rules require investors' identity to be revealed. Borrowers may have the option to "gross up" any back-up withholding tax applied as a sanction for failure to report.

The week also saw three floating rate note deals in the Eurodollar sector – and all lead managed by Crédit Suisse First Boston (CSFB). The first two, for Citicorp and Belgium, were selling slowly, but the third, for Bank of America, found favour with the market and gave a bit of a lift to the others.

Floating rate note volume has been mounting again in the last month or so, and some traders fear that the market might be in for a repeat of what happened in the spring, when tighter and tighter pricing and indigestion of new issues eventually stopped the boom.

Bank of America's deal, which was increased from $300m to $400m, did something to restore pricing levels. The same maturity as the Citicorp deal, Bank of America yielded ⅛ per cent over the three-month London interbank offered rate, while Citicorp paid ⅛ per cent over the lower level of the mean between three-month bid and offered rate. Total fees on the Bank of America totalled 30 basis points against Citicorp's 55 basis points.

The market for Eurosterling FRNs got another boost with a successful first offering from a Canadian bank – Bank of Montreal.

BHF Bank bond average		
Sept 7		Previous
100.017		99.921
High	1984	Low
100.054		98.058

CSFB's busy week ended with a fixed rate issue for Morgan Guaranty Trust. Rival managers criticised the pricing – pointing at a Wells Fargo deal launched only hours before, but with a coupon a whole point higher, and a 99¾ price compared with Morgan Guaranty's par price.

The shorter maturity of the Morgan Guaranty deal, and its far superior credit rating were the reasons behind the lower coupon. Both issues traded at a 1¾ point discount, just inside total fees of 1⅞ per cent in each case.

Eurodollar bonds rose by ¼ to ½ point over the week, though failing to keep up with the stronger trend on Wall Street towards the weekend.

Whether the Canadian dollar sector can take any more issues for a while is a moot point. The window has been open for longer, and more borrowers have dived through, than when it last let the light in. Last week saw a total of C$180m raised, and the Conservative victory in the general election should help them to sell. But one issue alone of C$100m – for Denmark – was perhaps too large for the distribution system to cope with.

The D-Mark sector continued its climb, with prices ½ point higher in places. The stronger New York bond market, and the low level of West German inflation relative to yields, were the main encouragements.

The trend is less happy in the Swiss franc foreign bond market, with prices unchanged on the week. The Japanese names attracted more activity. Pan American World Airways announced its convertible public issue on Friday.

Nestlé credit deal dominates market

BY MARGARET HUGHES IN LONDON

CORPORATE borrowers have been centre stage in the credits market over the past week. By far the biggest deal is the $2.5bn five-year revolving credit facility which Citicorp has confirmed it is putting together for Nestlé, the Swiss food company, to help to finance its near-$3bn takeover bid for Carnation. Nestlé will be announcing full details of the financing today.

Meanwhile, Heron International, the property and motor services group, has become the first UK corporate borrower to raise funds through a revolving Euronote facility. It awarded the mandate last Friday for a $50m facility for its finance subsidiary to Orion Royal Bank.

The three or six-month notes will be issued in denominations of $500,000 with a nominal coupon of ⅛ per cent over Eurodollar rates. An underwriting fee of ⅛ per cent will be paid quarterly in arrears to the five underwriting banks.

Bankers report that Britoil's move to renegotiate the terms of the $400m loan signed in 1977 along the lines of the recent Swedish multi-facility package has attracted a number of approaches from other UK corporate borrowers for similar deals. Citicorp, which is again handling the Britoil renegotiation, said it had received commitments from six of the banks that participated in the original loan – all U.S. banks.

Some of the others, however, are understood to have found the pricing too fine.

Citicorp says, however, that it does not anticipate difficulties in getting sufficient banks in the deal and expects replies from the 14 new banks it has approached – 13 European and one Japanese – by the middle of next week.

Elsewhere, New Zealand is understood to have received as many as 15 proposals for its anticipated $1.5bn fund-raising, of which only $250m is expected to be new money, the rest being refinancing of an earlier $500m loan that matures in December and a $750m note facility.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
OKI Electric §‡	70	1999	15	3½	100	Yamaichi Intl., Fuji Intl., Kleinwort Benson	3.500
IBM Credit Corp. ‡	200	1987	3	11¾	99¾	Salomon Bros., CFSB, Merrill Lynch	11.854
Citicorp O/S Fin. †(a)‡	250	1996	12	⅛	100	CSFB, Citicorp Int.	–
Belgium †(b)‡	400	2004	20	⅛	100	CSFB, Kidder Peabody, Mitsubishi Int. Fin., Soc. Gen. de Banque	–
J. C. Penney ‡	100	1991	7	12¾	100	CSFB	12.750
Eksportfinans ‡	350	1994	10	0	32¼	Mgn. Stanley, Bque. Paribas, Kleinwort Benson, Yamaichi Intl., Bergen Bank	11.980
Wescol §	50	1999	15	(4)	100	Yamaichi Intl., Deutsche Bank, Mitsubishi Fin. Intl.	*
Bank of America †(c)‡	400	1996	12	⅛	100	CSFB, BoA Int.	–
General Mills ‡	250	2004	20	0	11.05	Goldman Sachs, Nomura Intl., Mgn. Guaranty	11.640
Wells Fargo ‡	100	1991	7	13⅜	99¾	Salomon Bros.	13.432
Nippon Shinpan ‡	50	1989	5	12¾	100	Bankers Trust, New Japan Secs. (Eur), IBJ Intl.	12.875
Morgan Guar. Trust ‡	150	1989	5	12⅜	100	CSFB, Mgn. Guar., Deutsche Bank, Salomon Bros., SBCI, UBS Secs.	12.375
CANADIAN DOLLARS							
Denmark ‡	100	1989	5	13	100⅜	Mgn. Stanley, Credit Lyonnais, Mnu. Hanover, Soc. Gen. de Banque	12.894
CANADIAN DOLLARS							
Gaz Metropolitain ‡	50	1994	10	13½	100	Wood Gundy, Soc. Generale	13.500
Maritime Tel. & Tel. ‡	30	1994	10	13¼	100	Wood Gundy	13.250
D-MARKS							
Asian Dev. Bank ‡	200	1992	10	8	99½	Deutsche Bank	8.075
GUILDERS							
Finland	150	1994	8	8	*	ABN	*
SWISS FRANCS							
EDC of Canada ‡	125	1992	–	5⅜	100	SBC	5.375
OKI Electric **§‡	50	1989	–	2¾	100	SBC	2.750
Bergen Bank **‡	50	1991	–	6	100	SBC	6.000
Japan Highway **‡	150	1989	–	5½	100	UBS	5.500
Nisshin Spinning **§	50	1989	–	2¼	100	CS	*
Kokusai Kogyo Co. **§‡	50	1990	–	2⅜	100	Swiss Volksbank	2.375
Pan American §	50	1994	–	6½	*	Sodito	*
STERLING							
Bank of Montreal †(c)‡	100	1994	10	⅛	100	SG Warburg	–
ECUs							
City of Copenhagen ‡	20	19[illegible]	8½	11½	100	Kredietbank Lux., Privatbkn. Cop.	11.500
Dept. Posts & Tel. of S.A.(d)	40	19[illegible]	15	11⅜	*	CCF, Bque. Int. Lux., Kredietbank Intl.	*

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread (a) over 3-month Libean. (b) over 6-month Libor. (c) over 3-month Libor (d) Coupon reset after three years. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

U.S. BONDS

Aggressive actions by Fed confuse market analysts

ONCE AGAIN the Federal Reserve Board — this time through its open market operations — appears to have thoroughly confused the U.S. credit markets.

Just when a consensus appeared to have emerged, the Fed's aggressive moves to add reserves to the money markets on every business day since August 30, has triggered a renewed debate among market analysts.

At base level the debate concerns the short-term outlook for U.S. interest rates and bond prices. But it also encompasses wider and longer-term uncertainties about the future course of the U.S. economy, credit demand and monetary policy.

The Fed had been widely expected to add reserves at the start of September because of seasonal pressures. Indeed most economists remain convinced that despite the customer repurchase agreements, Fed policy remains basically unchanged.

Nevertheless, the Fed's open market activities have injected a new note of uncertainty into the debate. For example, Dr Henry Kaufman Salomon Brothers' chief economist, headlined his latest written comments "Funds rate to stay below 12 per cent" suggesting that the Fed's recent activities imply it is concerned not to allow the funds rate to move significantly higher.

Dr Kaufman also notes that, despite seasonal pressures, the Fed's actions suggest that the Federal Open Market Committee at its August meeting decided not to raise the 8 to 12 per cent funds monitoring range.

Others, including Frank Mastrapasqua of Smith, Barney go one stage further suggesting that the Fed's actions imply the upward pressure on short-term rates—which have risen over the last three months while long term yields have declined—may be abating.

More cautious assessments come from economists like Philip Braverman of Briggs Schaedle. Mr Braverman argues that the slowing pace of the economy, the good behaviour of the monetary aggregates and the recently reinforced strong dollar are all short term positive market factors. But he emphasised that such factors may be short lived.

Bond prices, depressed by the hangover of the July FOMC meeting report, lack of retail buying interest and some earlier gloomy reports from Wall Street's top economists started the week in the doldrums.

By the close on Friday, however, the market had turned around—without however, much sign of retail buying. The Treasury long bond closed 1½ higher at 100¼ to yield 12.43 per cent while the Treasury five-year bond closed at 99⅝ to yield 12.78 per cent.

Price gains in the government market ranged between ⅛ of a point and ⅞ of a point while the Treasury yield curve continued to narrow reflecting the "stickiness" of short term rates. Since early June the yield differential between three-month and 30-year issues has narrowed by over 200 basis point to around 150

Despite the Fed's repeated intervention the funds rate continued to trade around the 11.75 per cent level while short term T-bills rates were five to eight basis points lower The differential in the money market between CD rates and T-Bill rates continued to narrow reflecting an easing of investor concern about bank stability.

In the corporate market new issue rates were unchanged to slightly lower while seasoned active corporate prices moved up by about ⅞ of a point on medium term issues and of a point on long term issues.

In sharp contrast, to recent weeks, there were no new corporate issues of straight debt, although the municipal markets remained highly active.

Paul Taylor

U.S. INTEREST RATES

	Week to Sept 7	Week to Aug 31
Fed funds wkly av. ...	11.68	11.50
3-mth CDs ...	11.55	11.52
3-mth T-bills ...	10.56	10.51
30-year long bonds ...	12.52	12.60
AAA utility ...	13.63	13.63
AA industrial ...	13.50	13.37

Source: Salomon Bros (estimates). Money supply: In the week to August 27 M1 fell by $700m to $547.1bn from $547.8bn.

Disney chief ousted in board power struggle

BY TERRY DODSWORTH IN NEW YORK

THE BATTLE over the future of Walt Disney Productions, the West Coast-based film and entertainment group, has hotted up again in a boardroom putsch which saw the resignation of Mr Ronald Miller the company's chief executive and president since 1980.

There was speculation last night that Mr Miller's departure would be followed by other managerial changes prompted by Mr Roy Disney, nephew of the company's founder.

Mr Disney recently rejoined the company only six months after leaving the board following a feud with Mr Miller and Mr Ray Watson, Disney's chairman. Since rejoining Disney he has served on a committee of outside directors determining "new directions" for the group, and it was this committee that apparently brought up the question of Mr Miller's contract.

Mr Miller's authority was initially undermined three weeks ago when he was forced to abandon plans to take over Gibson Greetings, a greeting card company, for $320m.

The deal had been opposed by a group of directors, led by Mr Disney and supported from the outside by Mr Irwin Jacobs, the Minneapolis-based investor, who has a 6.9 per cent stake in the company.

Walt Disney shares rose ⅞ on Friday to $57⅛ after gaining ⅞ the previous day.

Earlier this year, the company fought off a takeover attempt by Mr Saul Steinberg, the New York investor. Since then, there has been continuing speculation that Mr Jacobs might make a full bid for the group, possibly in tandem with Mr Kirk Kerkorian, the majority shareholder in MGM-UA Entertainment, and an associate of Mr Steinberg in his abortive takeover attempt.

Employees in Gulf Oil assets bid

BY CANUTE JAMES IN KINGSTON

A GROUP of Gulf Oil employees has reached agreement with the board of Standard Oil of California on the purchase of the bulk of the trading activities involved in the takeover of the company in March.

Mr Herb Goodman, president of Gulf Oil Trading, which has continued to do business in its own right, is leading the management buyout. The cost of the assets is believed to be in the $30-40m range.

According to Gulf Oil traders, the deal is being financed by investment bankers F. Eberstadt. An Indian group and a Saudi commercial bank which they declined to identify are also said to be involved. The agreement is to take effect from October 1.

It is expected that 120 of the 350 employees of Gulf Oil Trading will be employed by the new independent entity. Socal has said that it may offer jobs to some of the others.

Included in the deal is a 51 per cent interest in China Gulf Oil, a Tapei-based concern which is engaged in the manufacture and marketing of lubricating oils.

The integration of Gulf Oil, acquired by Socal for $14bn in a record takeover, is still by no means complete. Socal evidently sees its trading division as a duplication of its own.

For their part, Gulf Oil Trading employees are known to believe that their operation was a more sophisticated one than Socal's and some hoped that it would be preserved intact by the new owner.

Bahrain curbs loans to bank directors

By Mary Frings in Bahrain

THE BAHRAIN monetary agency (BMA) is to impose legal limits on the amounts locally incorporated banks lend to their directors. It is also to restrict loans to single borrowers or entities, to avoid concentration of risks. The limits come into force from next month.

The BMA does not intend to put unwarranted pressure on borrowers in an already difficult business climate, it was stressed. Although it was expected that banks would make every effort to bring existing credit facilities into line with the new guidelines within two years, the BMA would adopt a very flexible approach.

Facilities to directors of a bank collectively should not exceed 30 per cent of the bank's capital and reserves, whether such facilities are secured or unsecured.

Directors' individual exposure is subject to the same 15 per cent limitation as that imposed on any single obligor, taken to include an individual and close members of his family, or in the case of corporate customers, other group companies where there is management influence or control of 20 per cent.

Alusuisse recovers as output improves

BY JOHN WICKS IN ZURICH

ALUSUISSE, the Swiss aluminium group expects a satisfactory year's result for 1984, according to an interim report. Cash-flow increased substantially in the first half and for 1984 as a whole will show a marked improvement on 1983.

In the six months, group turnover was up 14 per cent to SwFr 4.2bn ($1.69bn) or by 12 per cent in terms of local currencies. Sales by the aluminium division profited from brisk demand and better selling prices, rising by 14 per cent to SwFr 2.7bn.

With the exception of the plant in Tennessee, smelting capacity which has been idle has been gradually taken back into use. Smelter capacity utilisation has improved to 85 per cent compared with 71 per cent in the first half of last year.

The chemical division has done well. Its sales rose by 15 per cent to SwFr 800m. Turnover of the American automotive parts subsidiary, Maremont, went up 18 per cent to SwFr 500m. The engineering division, which is still struggling against sluggish capital investment, could only maintain sales at SwFr 100m.

Alusuisse, which has run up heavy losses in recent years, managed to reduce its deficit for 1983 to SwFr 82m, against SwFr 179m in 1982. It has already forecast a return to some kind of a profit for the current year.

$16m offer for NZ Press

BY OUR FINANCIAL STAFF

THE NEW ZEALAND Press Association (NZPA), the national news agency, has received a takeover bid from one of its owners the publishing group, New Zealand News.

NZN, the biggest single shareholder in NZPA, said its offer valued the agency at NZ$33m ($16.5m).

NZN holds 26.9 per cent of NZPA and is in turn 40 per cent owned by Brierley Investments, one of New Zealand's biggest and most diversified companies.

NZPA's major asset is a minority shareholding in Reuters Holdings. Reuters, whose profits have grown substantially in recent years, became a public company in June.

INTERNATIONAL APPOINTMENTS

Senior posts at Thomson Group

● The French-based THOMSON GROUP has made the following appointments: **Mr Noel Goutard** has become president and chief operating officer of Thomson S.A., a holding company for the Thomson Group. ...**Mr Alain Bougault** and **Mr Henri Starck**, have been appointed senior vice-presidents of Thomson-CSF, a subsidiary of Thomson S.A. **Mr Jacques Noels** is now chief executive for Thomson-CSF's electronic components branch. Since 1983 Mr Goutard, executive vice-president, had been chief operating officer of the Thomson Group. He is also chief executive for the industry and engineering branch and a director of Thomson-CSE. Mr Bougault and Mr Starck, executive vice-presidents, were respectively chief executives of Thomson-CSF's equipment and systems and electronic components branches. In their capacity as senior vice-presidents of Thomson-CSF, they will jointly head the equipment and systems branch. Mr Noels, who was manager of Thomson-CSF's semiconductor operations, succeeds Mr Starck as head of the electronic components branch.

● MEDEX INTERNATIONAL CORP. has promoted **Mr Donald L. Shovein** to president and chief executive and to the board. **Mr David H. Dingus**, vice-president and chief financial officer, has also been appointed to the board. Medex International, a travel assistance and claims administration company, has its headquarters in Dallas, Texas.

● **Mr Mustapha Faris**, former Moroccan Minister of Finance and former vice-chairman of Banque Arabe et Internationale d'Investissement (BAII), has been re-appointed as chairman and chief executive of BANQUE NATIONALE POUR LE DEVELOPPEMENT ECONOMIQUE (BNDE) of Morocco, a position he held between 1972 and 1977.

Mr Noel Goutard, president and chief operating officer of Thomson S.A.

● NATIONAL CAN CORPORATION, Chicago, has elected **Mr Jack H. Turner** senior vice-president-international. Since joining National Can in 1969 as assistant controller, Mr Turner has served the company in several positions, mostly recently as vice-president - international. He will continue to be responsible for the international division's 13 plants operating in England, West Germany, Italy, Spain, Ireland, Cyprus, Puerto Rico and Japan.

● PENRIL CORPORATION has elected **Mr Warren J. Hess** corporate vice-president. Mr Hess has also assumed direct operational responsibility as president of Triplett Electrical Instrument Corporation, a Bluffton, Ohio headquarters, wholly - owned subsidiary of Penril Corporation. Prior to joining Penril, Mr Hess held executive positions with Murata-Erie N.A., Kustom Electronics, Inc., Ambac Industries, Inc, and Rockwell International Corporation.

● **Mr John R. "Jack" Bolin** will be the new president and chief executive of BATEMAN EICHLER, HILL RICHARDS Inc., a major Los Angeles-based securities brokerage and a subsidiary of Kemper Corporation. He has been serving as executive vice-president of A. G. Edwards & Sons, Inc., St. Louis. Mr Bolin will succeed **Mr John H. Goldsmith**, who has been acting as interim chief executive officer of Bateman in addition to his duties as president and chief executive officer of Prescott, Ball & Turben, of Cleveland, another Kemper-affiliated securities firm.

● MORGAN GUARANTY TRUST COMPANY of New York has appointed **Mr K. Peter von Elten** as vice-president and general manager at the bank's Zürich office. He succeeds **Mr Sean McSharry** who will become executive director of Australia United Corporation, an Australian merchant bank in which Morgan Guaranty has a 45 per cent holding, at its Sydney office. Mr von Elten has been assistant general manager of the bank's German offices since June 1982.

● **Mr Timothy Reath**, president of the National Association of Insurance Brokers, and a former managing director of Marsh & McLennan, has joined JARDINE INSURANCE BROKERS INC. as chief executive officer of the firm's eastern division, headquartered in New York. Mr Reath, who has also been elected to JIB Inc.'s board of directors, assumes overall responsibility for the firm's East Coast property, casualty, life, and employee benefits operations, as well as the administration of its six eastern broking offices.

● **Mr Pierre Vermenouze**, general manager of BANQUE NATIONALE DE PARIS PLC, has been appointed chief executive of the BNP branches in Holland.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alaska Housing 11½ 94	100	95	95½	+0½	+0½	[illegible]
All Nip. Airways 14 94	100	109⅛	109⅝	+0½	−0¼	12.25
American Savings 12 89	125	94¼	95¼	+0¼	+1	13.48
American Sav. 12¾ 89...	100	95¼	95⅞	+0¼	+0¼	13.62
Austrian Rep. 13¾ 92 ...	100	102⅞	103¼	+0¼	0	12.94
Bank of Tokyo 13⅝ 91	100	101¾	101¾	+0¼	+0½	13.28
CNCA 13¾ 91	100	99¾	100¼	+0¼	−0¼	13.24
Coastded Int. 12¾ 88 ...	125	96¾	97¼	+0¼	+0¼	13.27
Creditanstalt 13¼ 91	100	99⅜	99⅞	+0¼	+0¼	13.17
DNC 11¾ 91 WW	50	†91	91½	0	+0¼	13.85
DNC 11¾ 91 XW	50	†90½	91	0	+0¼	13.88
Denmark Kgdm. 12 91...	100	93⅞	94¼	+0⅛	−0¼	13.42
Denmark Kgdm. 13 91...	100	98⅛	98⅝	+0⅛	−0¼	13.34
Denmark 13⅞ 88 XW...	100	100¾	101⅛	0	+0¼	13.47
Denmark Kgdm. 14 91...	100	103¾	104¼	+0¼	+0¼	13.03
EDC 11¼ 89	150	94½	95	0	−0¼	12.69
EIB 12½ 90	100	98¼	98¾	+0¼	+0¼	12.88
EIB 12⅞ 94	100	98¼	98¾	+0¼	+0¼	13.12
Eurofima 12½ 91	100	97⅞	98¼	+0¼	−0¼	12.96
Ex-Im Bk. Japan 13¼ 91	75	102	102½	+0¼	−0¼	12.71
First Michigan 13⅝ 89	125	98⅞	99¼	+0¼	+0¼	13.47
Florida Fed. Sy. 12½ 89	100	96¼	96¾	+0½	+0¼	13.88
Gen. Elec. Credit 0 96	600	28	28½	0	+0¼	11.27
Gen. El. Cr. 11 91 WW	200	95½	96	+0¼	+0¼	11.95
Genossen Zentral 14 91	100	103½	104	+0⅛	+1⅞	13.10
GMAC O/S Fin. 13 86	200	101¼	101⅞	+0¼	+0¼	11.88
Gulf & Western 12¾ 89	100	†96	96½	0	+2¼	13.23
Ind. Bk. Japan 11½ 89	125	94¾	95¼	+0¼	+0¼	13.03
Ind. Bk. Japan 13⅞ 91	125	106⅜	106⅞	+0¼	−0¼	12.36
Japan Air Lines 12¼ 94	70	99⅞	99⅜	+0¼	+0¼	12.09
LTCB 13¾ 91	125	101¾	102¼	+0¼	+0½	13.18
Macy O/S 11½ 91	100	96⅞	97¼	+0⅛	0	12.45
Mitsui Trust Fin. 12 91	100	93¾	94⅛	+0¼	0	13.44
Montreal City 12½ 91	70	96¼	96¾	+0¼	+0½	13.29
Mrgn. Guaranty 12¼ 89	150	96⅞	97¼	+0¼	+0¼	13.14
Newfndlnd. Prov. 13 91	75	100⅞	101⅛	0	+0⅛	12.70
Nippon Cred. B. 13⅞ 89	100	102	102½	+0¼	+0¼	13.18
Nippon Tele. 11⅞ 90 ...	100	98⅞	99¼	+0¼	0	11.63
Nova Scotia Pr. 11¾ 91	100	95¼	95¾	+0¼	+0¼	12.78
Ontario Hydro 11⅞ 94...	200	94⅞	95⅞	+0½	+0¼	12.50
Quebec Hydro 11½ 92...	100	†94	94½	+0¼	+0¼	12.64
Quebec Prov. 12¾ 94 ...	150	96¾	97¼	+0½	+1⅛	12.78
Rockefeller Gp. 13¾ 89	100	101⅞	102⅜	+0¼	+0¼	12.59
Royal Bk. Can. 11½ 89	100	93⅞	94⅛	+0¼	−0¼	13.36
Rural & Ind. Bk. 12 91	50	93⅞	93⅞	−0¼	−0¼	13.56
Sears O/S Fin. 11¾ 91	150	96¼	96¾	+0⅛	0	12.44
S. Pac. O/S Fin. 12 92	100	92½	93	−0⅛	0	13.56
SEK 11½ 89	100	94¼	94⅞	+0¼	−0⅛	13.13
Shearson/Amex 12¾ 94	100	96⅞	95⅞	+0¼	+0¼	12.96
Statoil 12 88	100	98⅛	98⅞	+0¼	+0¼	12.44
Statoil 13½ 89	100	102⅛	102⅞	+0⅛	0	12.72
Sumitomo Fin. 12½ 91...	150	97	97½	+0¼	+0¼	13.36
Sweden Kngdm. 12⅝ 89	200	98	98½	+0¼	0	12.85
Texaco Capital 13½ 89	200	102⅞	103⅜	+0¼	+0½	12.62
Texas Insts. Int. 11⅞ 91	150	96⅞	96⅞	+0⅛	0	12.62
Tokai Asia 12½ 91	100	95	95½	+0¼	+0¼	13.36
Tokyo Met. 12⅝ 94	50	98⅞	99⅛	+0¼	−0¼	13.05
World Bank 11¾ 89	200	95¼	95⅞	+0¼	+0¼	12.69
Yasuda T. & F. 12⅜ 89	100	95⅞	96⅛	+0¼	+0¼	13.54

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94...	125	100¾	101⅛	−0¼	−0¼	7.36
Amca Intl. 8¼ 91	100	100⅛	101⅛	0	−0¼	8.05
ANAS 8½ 91	150	100⅛	100⅝	−0¼	−0⅞	8.41
Austria Republic 7¾ 94	200	97¼	97¾	+0⅛	−0¼	8.00
Baxter Travenol 7¼ 94	200	97⅞	98⅞	0	−0¼	7.52
Credit National 8¾ 94...	200	99⅛	99⅝	+0⅛	−0⅛	8.17
Degussa Int. Fin. 7½ 94	100	101½	102	+0¼	+0¼	7.23
EEC 8 92	200	99⅞	100¼	+0¼	−0⅞	8.01
EIB 8 91	250	100⅞	101⅛	+0¼	+0¼	7.78
ESCOM 8 92	150	98⅝	99	0	−0⅛	8.21
Ferrovie Dello St. 8 91	100	99⅝	99⅞	0	−0⅛	8.06
Finland Rep. 7½ 91	150	97⅞	97⅞	−0⅛	−0¼	7.87
Gould Int. Fin. 7⅞ 91...	100	98⅞	99⅛	−0⅛	+0⅛	7.79
Int. Standard Ele. 7¼ 90	100	100⅛	101⅛	+0⅛	+0⅛	7.21
Ireland 8¼ 92	150	99	99½	0	−0¼	8.25
Japan Fin. Corp. 7⅞ 91	100	99⅞	100⅛	+0⅛	−0⅛	7.82
Megal Fin. 8¼ 94	150	99⅞	100⅜	+0⅛	0	8.20
Mitsbshi. H. 3½ 89 WW	300	99½	100	−0⅛	0	3.56
Mitsbshi. H. 3½ 89 XW	300	88⅞	88⅞	0	0	5.48
OKB 7½ 88	100	99¼	99⅞	−0⅛	0	7.63
Pepsico O/S Fin. 7¾ 94	250	99⅞	99⅞	−0⅛	−0⅛	7.32
Reynolds O/S F. 7¾ 94	125	101½	102	+0¼	+0⅛	7.23
Soc. Cent. Nucleair 8 91	100	100⅛	101⅛	−0⅛	0	7.82
Sth. Africa Rep. 8½ 91	200	101⅛	101⅞	+0⅛	+0½	8.21
World Bank 7⅞ 89	100	99⅞	100	0	−0⅞	7.89
World Bank 8 94	200	100⅜	101⅛	+0⅛	0	7.87

Average price changes... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 6¼ 94	100	†101⅛	101⅜	−0½	0	6.02
Canada 5¼ 92	200	†100⅛	100⅜	+0⅛	0	5.14
Consd. Foods 5¾ 94...	200	†103	103¼	0	−0¼	5.32
Consd. Press 6¼ 94...	200	†100⅛	100⅞	0	−0¼	6.16
Credit Foncier 6 94 ...	120	†100⅞	101	0	+0¼	5.88
Electric Power 5¾ 94 ...	100	†100⅛	100⅜	+0⅛	+0⅛	5.70
Euratom 6¼ 94	80	†101⅛	101½	0	−0¼	6.06
FGH 5¾ 92	110	†98½	98⅞	+0¼	+0⅛	5.97
GO Int. 6¼ 92	100	†102	102¼	+0½	0	6.39
Int. Am. Dv. Bk. 6¼ 94	120	†101½	101⅞	+0⅛	+0½	6.02
Japan Fin. Corp. 5½ 94	100	†97⅞	97⅞	−0½	−0½	5.83
Japan Highway 5½ 92...	160	†97⅛	97⅞	0	0	5.76
Kansai Ele. Pwr 6¼ 92	100	†100⅛	100½	−2	−2¼	6.06
Manitoba Prov. 6¼ 94...	100	†102¼	102¾	−0⅛	−0⅛	5.43
Mitsui Fin. Asia 5⅞ 94	55	†99	99½	0	+0⅛	5.99
Mount Isa Fin. 5⅞ 94...	100	†99	99⅛	0	+0⅛	5.87
New Brunswick 5⅜ 94	100	†101	101⅛	0	0	5.47
Quebec Hydro 5⅞ 94...	150	†102⅛	102⅜	0	+0½	5.52
Statsforetag 6 92	75	†101	101⅛	0	0	5.81
Sweden Kingdom 5¾ 94	125	†101	101⅛	+0⅛	0	5.59
Tauernkraftwerke 5½ 94	100	†100	100⅛	+0⅛	+1	5.48
Tobu Railway 4 92 WW	100	†96⅛	96½	+0⅛	0	4.67
Tobu Railway 4 92 XW	100	†86⅛	87	+0⅛	0	6.20
Transcanada Pipe 5½ 92	100	†98½	98⅞	0	−0⅛	5.72
World Bank 6¼ 94	200	†101¼	102	0	−0⅛	5.87

Average price changes... On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 7⅝ 94...	15	99	99½	−0¼	+0¼	7.48
Eurofima 7¾ 94	10	100	100½	0	−0⅞	7.33
New Zealand 7⅝ 90 ...	15	98⅛	98⅞	−0¼	+0¼	7.45
World Bank 7 94	20	95⅞	96⅛	0	+0⅞	7.61
World Bank 7⅝ 93	20	100⅝	101⅛	−0⅛	−0⅛	7.48

Average price changes On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B. Indosuez 14 91 C$	75	†100⅛	100⅞	0	+0⅞	13.83
Br. Col. Tel. 12¾ 99 C$	70	†96⅞	97⅞	+0⅛	+0⅞	12.63
Canadn. Oc. 12¾ 89 C$	60	†96⅞	97⅞	0	−0¼	12.81
CNE 13 93 C$	50	†97⅞	98⅛	0	+0⅞	13.39
Edmonton 13¾ 89 C$...	50	†101⅞	102⅛	0	0	13.17
Montreal City 12 90 C$	50	†96⅛	97	0	+0¼	12.75
Quebec Hydro 14 91 C$	75	†105⅛	106½	0	−0¼	12.61
Vancouver C. 13 94 C$	30	†102⅛	103⅛	0	+0¼	12.41
EEC 11¾ 91 Ecu	50	104¼	105¼	+0⅛	+0⅛	10.22
IBJ 11¾ 89 Ecu	40	102¼	103¼	+0⅞	+1⅛	10.33
III 11 89 Ecu	60	99⅞	100⅛	+0⅛	+0⅞	10.99
Aegon 8¼ 89 Fl	100	101⅛	101⅞	0	−0⅞	7.82
Beatrice Foods 8¼ 89 Fl	100	102⅛	103	+0⅛	+0¼	7.54
Dai-Ichi 8½ 89 Fl	50	99½	100	−0⅛	−0⅛	8.56
New Zealand 8¼ 89 Fl	100	100⅛	100⅞	0	0	8.14
Rank Xerox F. 8¼ 89 Fl	75	101⅛	102⅛	+0⅛	0	7.76
World Bank 8⅛ 89 Fl...	150	100⅛	100⅝	0	0	8.10
Charbnags. 13⅞ 85 FFr	400	101⅛	102⅛	0	0	12.17
Air Canada 11¾ 94 £...	40	95½	96	0	−0⅛	11.99
CNCL Europe 11¾ 92 £	50	95⅞	96⅛	+0⅛	−0⅛	12.18
Denmark 10⅞ 89 £	75	96	96½	+0⅛	−1⅞	12.12
EEC 11¾ 94 £	50	97	97⅞	0	−0⅞	11.85
EIB 10⅞ 92 £	50	92⅞	93⅞	+0⅛	−0⅛	12.17
IBJ 11¾ 95 £	30	98⅞	98⅞	+0⅛	0	11.83
III 10⅞ 93 £	25	93⅞	93⅞	0	−0⅛	11.97
Int. Stand. El. 11⅛ 89 £	50	98⅞	99⅛	0	−0⅞	11.42
Ireland 11¾ 94 £	50	93⅞	93⅞	0	−1	12.57
New Zealand 10⅞ 89 £	130	94⅞	95⅞	0	−1⅛	12.09
OKB 12⅞ 91 £	30	101⅞	101⅞	+0⅛	−0⅛	11.92
Royal Trustco 12⅞ 89 £	30	102⅞	102⅞	+0⅛	+0⅛	11.56
SNCF 11¾ 94 £	60	93⅞	94⅛	+0⅛	−0⅛	12.30
S. Africa Rep. 12½ 89 £	40	†100⅞	100⅞	−0⅛	−0⅛	12.33
World Bank 10⅞ 89 £ ...	100	94⅛	95⅛	+0⅛	−0⅞	12.08
Electrolux 10 89 LuxFr	500	98⅛	99⅞	0	−0⅛	10.22
ECSC 10½ 94 LuxFr ...	700	99	100	+0⅛	+0⅛	10.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Banking 5¾ 96 ...	0¼	†98⅛	98⅞	15/9	10.81	10.92
BBL Int. 5 98	0⅛	98⅛	98⅞	11/10	11.19	11.31
Banca Naz. Agri. 5¾ 91	0¼	†99⅛	99⅞	18/2	12⅞	12.96
Bank of Montreal 5 96	0⅛	100	100⅛	27/10	11.19	11.16
Bankers Trust 5¾ 96 ...	0⅛	99⅞	100⅛	10/8	11⅞	11.75
Barclays O/S In. 6 2004	0⅛	99⅞	99⅞	2/9	10.56	10.67
BFG Fin. 5¾ 96	0⅛	98⅞	99⅛	1/9	11⅞	11.99
BNP 5¾ 96 (July)	0⅛	100	100⅛	21/1	12.94	12.92
Credit Lyonnais 5¾ 96	0⅛	100	100½	14/12	12⅞	12.59
Dai-Ichi Kangyo 5¾ 96	0⅛	99⅞	99⅞	10/11	12⅞	12.19
Dresdner Fin. 5¾ 89 ...	0	99⅞	99⅛	23/8	11⅞	11.70
EDF 5¼ 89	0⅛	99⅛	99⅛	23/8	10.56	10.63
Gotabanken 5¾ 94	0⅛	98⅞	98⅞	10/11	12.19	12.34
Lloyds Euro. 5 2004	§0⅛	98⅞	99⅛	18/10	11.31	11.43
Midland Int. Fin. 5 99	§0⅛	98⅞	99⅛	8/9	10.56	10.67
Mt. Bk. Denmark 5¾ 99	§0⅛	99⅛	100⅛	11/8	11	10.99
Nat. West. Perp. 5 89...	0⅛	99⅞	100⅛	10/11	12.44	12.44
Oster. Land. 5¾ 99	§0⅛	†99⅞	99⅞	11/10	11.19	11.30
Queensland Coal 5¾ 96	0⅛	100	100⅛	9/11	11⅞	11.58
Societe Gen. 5¾ 94	0⅛	99⅞	99⅞	15/9	10.18	10.21
Sweden Perp. 5¾ 85 ...	0⅛	100⅛	100⅛	9/2	13⅛	13.20
Takugin 5¾ 94	§0⅛	99½	100⅛	15/9	10⅞	10.76
Tokai 5¾ 99	0⅛	100	100⅛	12/12	12⅞	12.47
Toyo 5¾ 99	0⅛	100	100½	14/12	12⅞	12.59

Average price changes... On day +0⅛ on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1159	94½	95½	+0⅛	0.89
Daiwa Sec. Co. 5½ 98...	10/83	481.8	†107⅛	108	0	−4.02
Fanuc 3¾ 98	1/84	9142	131¼	132¼	+0⅛	33.83
Fujitsu 3 99	5/84	1320	95⅛	96¼	+0¼	4.48
Honda Motor 5⅛ 98	6/83	884	142¼	143¼	+0⅛	2.61
Konishiroku Ph. 4 98...	10/83	673	83	83⅞	+0⅛	0.43
Marui 3½ 99	7/84	1162	98	99	+0⅛	3.39
Minebea Co. 5½ 98......	5/83	667	108⅞	108⅞	+0⅞	5.80
Mitsubishi Elec. 5¾ 96	6/83	396	103⅞	104⅞	+0⅛	5.21
Mitsubishi Heavy 4⅛ 99	1/84	263	86⅞	87⅛	+0⅛	−0.74
Murata 3½ 99	2/84	2539	119	120	+1⅛	26.19
Murata 3½ 2000	7/84	2356	118⅛	117⅛	+1⅛	0.63
Nippon Oil Co. 3¾ 99...		1052	83⅞	84⅛	+0⅛	2.96
Nippon Oil Co. 5¼ 98...	4/83	984	93⅛	94⅛	−0⅛	3.34
Nissan Motor 5⅛ 98 ..	4/83	700	90⅞	91⅞	+0⅛	9.95
Ono Pharm. Co. 3⅞ 98	3/84	9490	†127	128	0	34.78
Orient Leasing 5⅛ 98...	6/83	2690	122¼	123¼	+0⅛	−4.10
Secom 5 98	11/83	2920	165¼	166¼	−1	−1.12
Sekisui House 3 99......	6/84	612	87⅛	88¼	+0⅛	−0.32
Sumitomo Cup. 2⅞ 99	6/84	683	77⅛	78⅛	+0⅛	−1.52
Yamanouchi Ph. 4 90 ...	10/83	1483	96⅛	97⅛	+2⅛	6.86
Nippon Oil 2⅞ 92 SwFr	3/84	1052	†102⅛	102⅛	0	11.05
Nippon Shin. 2 92 SwFr	3/84	801	†91½	92	+0⅛	27.10
Settsu Ppr. 2⅞ 92 SwFr	4/84	877	†140	140⅛	+0⅛	−2.85
Asics 5 92 DM	12/83	520	103	104	−0⅛	28.71
Sum Realty 6⅛ 92 DM...	2/83	368	147⅞	148⅞	+0⅛	−3.63

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week ...	10,827.0	21,036.4
Previous week	8,123.2	19,669.3
Other bonds		
Last week ...	1,172.6	1,004.9
Previous week	1,230.9	1,368.1

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Pain, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Long Term Credit Bank; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

Closing prices on September 7

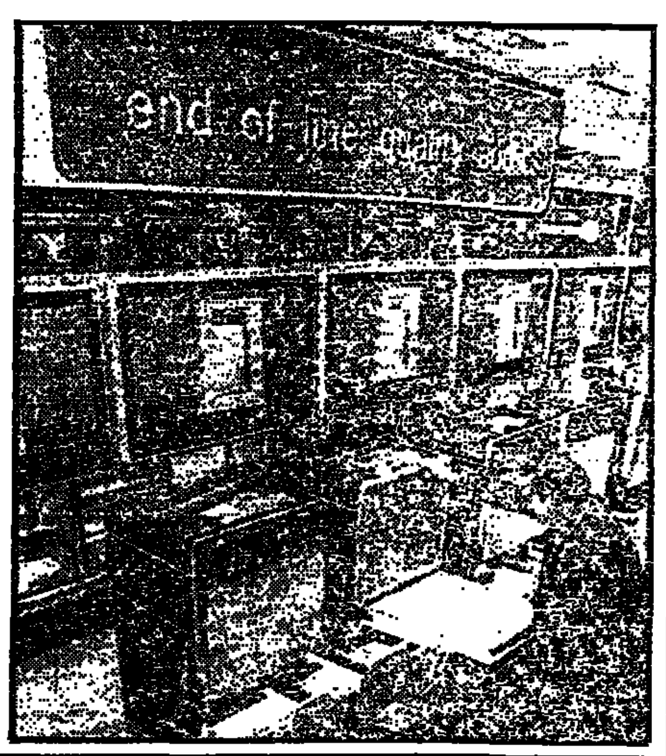
MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

General Electric of the U.S.

Turning the old into a dynamic new

Terry Dodsworth reports on how the major U.S. industrial and electronics group transformed an ageing plant into a showpiece of factory design engineering



"IN THIS plant we have proved that it is possible to take a 30-year-old facility and transform it into a competitive new unit; and we have also shown that you can take a labour force with a strong union that resisted change and convince it that change is necessary."

All around Ray Rissler, manager of the modernisation project at General Electric's dishwasher plant at Louisville, Kentucky, one of the showpieces of modern-day U.S. factory design engineering is humming away to the smooth rhythms of a largely automated production line. It is a rhythm that is currently tapping out dollars in abundance for GE, as the combination of increased market share and an expanding domestic economy bring back memories of the industry's peak year back in 1973.

Superficially, the Louisville plant is just another example of U.S. industry getting to grips with up-to-date, robotised production systems. But like several other U.S. factories that have risen anew on the foundations of the mature old manufacturing industries over the very recent past, it also represents a renaissance in U.S. methods and productivity. The launch of the new dishwasher plant has been accompanied by a quantum leap in productivity and what amounts to a revolution in quality.

With the same number of workers as before the changeover, the plant now produces 25 per cent more units a year (a difficult number to quantify, since GE does not release the figures, but it is probably around 600,000), giving the group about 30 per cent of the market. As far as quality is concerned, Rissler says the plant has delivered virtually a 10-fold improvement as measured by customer complaints in the first year of warranty.

Mirroring similar developments at companies as diverse as John Deere, the agricultural equipment company, or TRW, the motor components group, GE has gone about this metamorphosis in a way that supports the view that U.S. industrial management is beginning to tackle the sluggish productivity growth which has plagued U.S. industry for the past decade at least.

The change in the plant goes back to 1979, when GE, faced with the intense pressure on margins generally in household appliances, was asking itself if it wanted to continue at all in this sector. It was not an obvious high-technology area of the sort on which GE wanted to concentrate, although the company's expertise in control mechanisms and advanced manufacturing techniques had obvious applications in it. Unlike Westinghouse, however, GE decided to stay. "Our name on home appliances is a pervasive reminder of the company in virtually every household in America," says Rissler.

GE also saw that to survive as an effective force it had to improve both quality and productivity. These objectives were partly prompted by the market environment, which had become steadily tougher with the development of the buying power of the expanding retail chains. But they also derived indirectly from the threat of Japanese competition.

"Because women are going out to work more, they have become much less tolerant of breakdowns and the need for servicing," says Rissler. At the same time, the market had been educated by Japanese products to demand better quality; and GE had good reason to believe that after the highly successful foray of the Japanese electrical companies into the television and audio field, they were lining up kitchen products as well.

Because the dishwasher division is a relatively small one, it was able to go for a radical—and risky—method of reorganising itself, involving the people in the plant, the product line and the production process. Helped, perhaps, by the dampening effect of the recession on union activity, along with a longer-term plan to improve labour relations, the normally militant workforce came into the discussions early and threw its weight behind the plan. The project has thus been much less bothered by disputes than others in the past—strikes at the entire Louisville complex, which embraces a variety of products, have fallen from 400,000 man hours a year to less than 50,000.

On the production side, the problem was one that baffled engineers had tried to solve for two decades, according to Rissler. Because of the large range of machines manufactured by the company, the assembly process was necessarily complex and required a degree of human dexterity apparently beyond the reach of automation.

The solution, he says, occurred in a flash one day when a GE team was visiting a plant in Japan and noticed that all the manufacturing processes which introduced elements to differentiate products from one another had been pushed to the end of the line. Using this principle, GE was able to go back and redesign the entire plant and the whole product range.

The revamp was helped by a revolutionary material, a weight-bearing moulded plastic which virtually did away with steel in the construction of the central washing tub. Invented by its own research and development team, and already proved in an earlier range of up-market dishwashers, the new material — Permatuf — provided the base for the new dishwasher design.

It also created a concept around which to organise the plant, since it led the GE engineers towards the standardisation of the basic washing-tub. By simplifying the design at this point, the company was able to automate a vast part of the manufacturing process.

As a result, the manufacturing process has been enormously accelerated. At the beginning of the production line, plastic pellets are fired into injection moulds and formed under intense heat and pressure into the weight-bearing tubs. They then meander round the plant on the robotised assembly lines to emerge as finished machines in an average of 18 hours. Before the change, the machines were much heavier, were made of more parts, and took around six days to get through. Raw material and inventory costs have thus been reduced from around $9.5m to $3.9m, despite the higher rate of output.

GE admits that the impressive statistical results of these $38.6m of changes have not been exposed to the criteria of Japanese competition, now regarded as the iron test of U.S. technology. But its next step will be a $200m investment in its refrigeration business, where its ability will be directly measurable against the Japanese; Sanyo has established a plant in California, and GE believes that the Japanese company has sufficient experience of the market in Japan in this field to make a tough competitor.

"In dishwashers we did what we had to do to remain ahead even though we did not absolutely need to do it," says Roger Schipke, senior vice-president. "But in refrigerators we know that we have to be competitive on a world class basis because the Japanese competitors market their products worldwide. We believe at the moment that we can go into the lead."

No-one pretends that GE is totally representative of the rest of U.S. industry. Indeed, the company's return on equity of around 18 per cent puts it right at the top of the U.S. league table—and the dishwashers do better than that. And at the same time, it has the research and development resources to have been able to inject totally new technology into what was becoming a commodity business.

Nevertheless, the company's moves in the dishwasher plant are indicative of the new, far more realistic mood which is now rippling through U.S. manufacturing industry, and which could make it a more competitive animal than it has been for years.

"The difference between now and the 1970s is that we have been able to focus ourselves on the external world," says Schipke. "In the 1970s, we were driven as an industrial nation by small incremental changes in which we measured ourselves by where we were the month or the year before, rather than where we were in the world. I don't think there is any question that there is now a major change going on."

Learning to learn

AN ADULT training programme designed to emphasise how people can "learn how to learn" rather than just teach specific practical skills is being launched by the University of Wales Institute of Science and Technology.

The project, which will be carried out by the occupational research unit of UWIST's department of applied psychology, is being funded by a £206,859 grant from the Manpower Services Commission. Says research director, Professor Willis: "This means that workers will be able to respond to new demands and situations for the intention of the scheme is to provide a flexible workforce for the future. Rather than concentrate purely on skills which could become redundant, we use learning a specific skill, such as welding or wiring, as a means of learning how to learn."

The programme also aims to instil in trainees the idea that they will be able to transfer from one work setting to another. According to researcher Pat Perry: "We must overcome trainees' expectations of being taught the necessary skills — they must be encouraged to acquire skills themselves, and instructors should give them the freedom to do so." Trainees will also be encouraged to ask questions rather than passively accept everything they are told.

Even instructors will come under the research team's scrutiny. For the assumption that if they are good at something they can also teach others to be so is not always true. So, in order to improve instructors' skills, three-day courses will be held for them.

The relationship between teaching methods and learning skills will be illustrated and, with a view to developing a broader approach to teaching in industry, a list of dos and don'ts has been devised to assist instructors. The list is now being used by MSC instructors on Youth Training Schemes.

Visits will be made to a range of industries to examine training strategies. It is anticipated by UWIST that heavy industries, assembly plants and high-tech businesses will be involved and eventually it hopes that basic vocational skills courses emphasising the "learning to learn" approach will be held for the long-term unemployed.

Iola Smith

Book review

A direct form of direct marketing

BY DAVID CHURCHILL

CHRISTIAN BRANN, the guru of direct marketing and the man who helped put the Readers Digest on the map in the UK, believes in practising what he preaches. Having just retired after 17 years of running his own direct marketing agency, he has not only produced his own collected thoughts on the subject in book form, with the help of a word-processor, but is also selling the book solely by direct mail.

"It's not really much of a gamble to sell it myself," he says. "After all, if I can't do it with all my experience, who can?"

Moreover, by producing the book himself for a few pounds per copy and selling it for £18.50 (plus £1.50 postage), he can afford to spend up to £10 selling each copy of the book and still make a handsome profit. "No publisher can afford to spend so much and certainly no retailer is as motivated as I am to sell copies," he admits. Even so, he has aimed part of his selling campaign at the book trade to supplement sales by post.

Scathing

Brann is rather scathing in his book about the limits to conventional retailing in Britain, arguing that many retailers are too passive: "Retailers should be much more concerned with going out and actually selling," he chides. In fact, the development of direct marketing techniques in the UK means that sales through traditional retail outlets are slowly decreasing as a proportion of consumer spending, while sales through other outlets are increasing. About 9 per cent of all non-food retail sales in Britain go through the mail now, claims Brann.

Yet he is equally critical of the way in which British companies treat direct marketing. "It suffers from the fact that it can be practised by almost anyone, apparently without any form of training or experience," he points out. "The need for expert writing, design and production in direct mail is not as obvious as it is in display selling or in the production of television commercials. As a result, direct marketing standards are often poor and the industry's reputation suffers."

Brann believes that direct marketing should be used in conjunction with standard sales methods—such as using direct mail techniques to help a salesman get past a receptionist. He is also convinced that the opportunities for selling products by post are almost limitless. "Who would have thought only a few years ago that some 2m Sinclair computers would be sold by post?" he asks. The case studies in his book include the way in which London Bridge was sold to the Americans with the aid of a direct mail campaign.

Perhaps, understandably Brann believes, that advertising agencies are not the best people to put in charge of direct marketing campaigns. "They lack the specialists with creativity," he says. "Advertising agencies also tend to be against direct marketing because they do not get their usual commission from it."

Brann's direct marketing skills have tended to rub off on his family. His daughter, Susie, is an actress in "Daisy Pulls it Off" in the West End and keeps herself in work long term by regularly sending mailing shots — with stamped, addressed envelopes —to theatre managements, rep companies, television companies, and anybody else connected with showbusiness. His son, David, who is managing director of Bentley's Oyster Bar in London, also uses direct mail shots to keep the restaurant full and is supporting the launch of a new wine bar chain with direct mail.

* *Cost-effective Direct Marketing by Christian Brann, price £18.50 plus £1.50 postage and packing, from Collectors' Books, Bradley Lodge, Kemble, Cirencester, Glos. (Telephone 0285 77239.)*

TECHNOLOGY

EDITED BY ALAN CANE

OFFICE SYSTEMS

Hewlett-Packard and business computing

HEWLETT PACKARD, still intent on moving away from its "scientific" image and making a bigger impact in the office automation market, has introduced a £16,000 business machine, the HP3000/37, that will support up to 28 users. In bulk purchases, the price can drop to as little as £12,000.

For many years the company has been associated with relatively expensive computers for use by the scientific and engineering communities. The change in direction started last year when the company launched a personal desk-top machine. Since then it has been actively broadening its horizons.

The processor itself is not much bigger than two shoe boxes placed side by side. With the neccessary disc and cartridge tape drives and input/output panel, the hardware occupies no more space than a two-drawer filing cabinet.

Hewlett Packard currently has about five per cent of the small business systems market, which is growing faster than most computer industry segments at about 35 per cent per annum. It already has some 15,000 earlier HP 3000 models installed world-wide.

The new Series 37 machine is aimed at businesses with turnovers in the £2m to £12m bracket which need several user stations initially, with capacity to grow later on. It will also appeal to larger organisations moving away from the "single mainframe" approach and wishing to further distribute their computing power.

Hewlett Packard will therefore be in competition with similar machines offered by such companies as IBM, DEC, Wang and Data General.

A special program has been devised specially to address the IBM market. Called Transform 34, it is designed to convert IBM System 34 report program generator (RPG) users to run in full compatibility on the HP3000/37. Then, says HP, the user will be able to take advantage of the growth facilities of the 3000/37, which fully extended can accommodate 400 terminals.

Technically, the basic machine has 512 kilobytes of main memory, a 55 megabyte disc drive, a cartridge tape drive and six connection ports for terminals and peripherals. Software is available for most business applications including electronic mail, word processing, business graphics, report creation and electronic filing.

Deliveries of the new machine in Europe are expected to start before year end. *The computer is being* manufactured in Bristol, Boeblingen and Grenoble.

GEOFFREY CHARLISH

MEDICAL EQUIPMENT

Doctors argue over laser treatment

BY PETER MARSH

A DISAGREEMENT over high-technology hardware is simmering in the unlikely quarter of hospitals' gynaecology departments.

The dispute could affect sales of lasers in hospitals, a fast growing segment of the market for medical equipment. The argument is between two groups of doctors—one of which says lasers are the best tools to treat a common condition affecting women, precancerous lesions that appear on the cervix.

On the other side are physicians who argue that lasers, which cost £15,000 or more, are unnecessarily refined and accurate. They favour devices called cold coagulators that destroy tissue by heating it with probes and sell for less than £1,000.

With a laser, a doctor focuses a beam of high-energy light onto the relevant part of the cervix, or neck of the womb. The radiation destroys the cells *by vapourising water that forms* the bulk of human tissue.

Similar hardware is used in industry, for example to cut or solder pieces of metal.

The medical dispute is unlikely to be settled for a couple of years, when two teams of doctors, in Edinburgh and Cambridge, finish detailed research to compare the laser and cold-coagulator techniques.

Meanwhile, manufacturers of lasers for hospitals will be looking on anxiously. About 60 British hospitals use lasers in gynaecology, according to a recent survey by the British Society for Colposcopy and Cervical Pathology. Fewer than half this number have cold coagulators.

In recent years, hospitals have increasingly purchased lasers. Gynaecology departments are the biggest users, followed by doctors in areas such as eye surgery and treatment of ailments affecting the ear, nose and throat.

In most cases, the hardware acts as a substitute for a surgeon's knife. A laser can cut out an area of tissue with great precision and with little letting of blood. The procedure reduces enormously the time taken for the patient to recover from the operation.

In hospitals, a laser is guided with a joy stick to the part of the tissue being treated. Some doctors have built up skills with the devices by learning to skin tomatoes.

Most of the carbon-dioxide lasers used in Britain for gynaecology have been supplied by two companies, Laser Industries of Israel and Coherent of the U.S. In the past year, two British companies have announced they will sell similar hardware. They are Lambda Medical of Harpenden, which bases its equipment on lasers developed at Edinburgh's Herriot-Watt University, and Laser Applications of Hull.

The dispute in the gynaecology departments concerns treatment of cervical intraepithelial neoplasm, an increasingly common condition. In Britain, about 20,000 women a year receive treatment for this ailment (see box).

> The medical dispute is unlikely to be settled for a couple of years.

The leading champion for the cold coagulator, which despite its name destroys tissue by heating it to 100 deg C, is Dr Ian Duncan of Ninewells Hospital in Dundee. Dr Duncan, who has used a *cold coagulator* since the early 1970s, suggests that the "high tech" image of lasers may have lured some doctors to prefer the machines to less glamorous medical hardware.

Dr Duncan treats for cervical disorders about 400 new patients a year, some 90 per cent of them with a cold coagulator.

Dr Jeremy Livingstone of the Elsie Inglis Maternity Hospital in Edinburgh, who is comparing the laser and cold-coagulation techniques in a four-year study, says that his results so far indicate there is little to choose between the two techniques.

As to the reasons for the greater popularity of lasers, Dr Livingstone comments: "People do sometimes go overboard for the latest technology."

Dr John Elias-Jones of Addenbrookes Hospital in Cambridge has started a similar study to compare the two techniques.

Advocates of lasers argue that the machines are more precise and gives results that can be quantified more accurately. They say the coagulator is a "glorified red-hot poker" which can cause pain and discomfort.

Professor Frank Sharp of the Northern General Hospital in Sheffield, says: "I would have grave reservations about using a cold coagulator."

Mr Mike Emens, a surgeon at the Birmingham and Midland Hospital for Women, says that the laser causes less discomfort. Doctors generally apply both the laser and the cold coagulator in an out-patients' clinic without an anaesthetic.

Mr Emens says he used a cold coagulator for a year but abandoned it after complaints. *At least half the women on* whom the technique was applied suffered undue pain.

Cold coagulators are sold by Wishap, a company in Munich. The device, invented in the 1960s by Professor Kurt Senn, a German doctor, applies heat to tissue with two or more probes.

A small box of electronics feeds electricity to small Teflon pads at the tip of the probes. A physician holds the probes for up to 40 seconds against the part of the cervix to be treated. The heat destroys the tissue to a depth of several millimetres—the dead cells flake off over several weeks following the treatment.

Rocket, a company in Watford that is Wishap's British agent, reports a growing demand for the hardware. It says it is selling to British doctors two or three coagulators a week.

One of the main problems in assessing the two techniques is the lack of long-term data about the effectiveness of treatment with the cold coagulator. Doctors can point to statistical evidence, not just from the UK but the U.S. and other countries, according to which women treated with a laser run only a small risk that the condition will return.

Joe Jordan and Mike Emens (right) with Laser Surgical Equipment at Birmingham and Midland Hospital for Women

LASERS AND other new techniques to treat disorders of the cervix have ushered in sweeping changes in recent years in this branch of gynaecology.

The hardware is introduced to treat cervical intraepithelial neoplasm, the growth of lesions in the neck of the uterus that can turn into cancer.

The condition is detected through "smear tests," in which cells obtained from a swab are analysed in a laboratory. In 1979 the last year for which nationwide figures are available, 2.7m women received such tests. On average, 5 in 1,000 have "positive smears"—which indicate they may need treatment.

The Department of Health *and Social Security* recommends that women receive smear tests every five years. Groups particularly at risk are women over 35 and those who have been pregnant three times or more.

In the conventional approach to the condition, surgeons remove the segment of the cervix that contains the lesions. In the operation, known as a cone biopsy, patients have to spend up to five days in hopsital.

Lasers and cold coagulators form part of a family of newer techniques that dispense with the surgical knife. They destroy cells either by heating or freezing a small area of tissue.

With these methods, the woman can be treated in an out-patients' clinic in a matter of minutes. Costs decline enormously. According to Mr Albert Singer, a laser specialist at the Royal Northern Hospital in London, a cone biopsy costs the National Health Service £750 to £1,000.

Treatment with a laser works out at £20 a patient. That does not include the price of the laser (£15,000 to £30,000) and a colposcope or adapted microscope (about £5,000) through which the physician examines the cervix.

As an alternative to applying heat, doctors can freeze the tissue using cryosurgery. A further method is to heat up the cells to about 400° C with electrocautery — this requires an anaesthetic and a *spell of* several days in hospital.

Of the women who have positive smears, anywhere between 40 per cent and 80 per cent may require destruction of tissue. This is because the cervix contains cells that are either cancerous or are likely to become malignant.

Doctors suggest that, in hospitals where lasers or devices such as cold coagulators are available, only one in 10 of the women who require treatment need a cone biopsy.

Many hospitals are unable to justify the purchase of a laser through NHS funds. Hence the trend in which hospitals raise cash for lasers by appeals to the public.

Software

Macintosh programmes

SEVERAL software products developed in the U.S. for the Apple Macintosh computer range is to come on to the British market. These are mainly business computer software including a graphics program, a database for handling lists of information, a computer cashbook and personnel and payroll system.

These products come from U.S. software companies such as Peachtree, Telos Software Productions and Haba Software. More details are available from Apple Computer at Hemel Hempstead in the UK on 0442 60244.

Credit checking

Computer enquiries

AN INVESTMENT of £10m has gone into a computer system aimed at storing credit details of 1.8m businesses in the UK and 42m consumers.

UAPT Infolink switches on the inquiry system for business credit worthiness. Today, some 10,000 member companies are likely to use the system either by telephoning UAPT for details or by linking directly into the system using a computer terminal. More than 1,000 terminals are in the hands of customers who make on average 18m inquiries each year.

Until now the terminal has been used for access to consumer credit ratings. The consumer system is extremely complicated. A user can enter a name or address wrongly spelt and the system will pick out variations in the spelling. This computer system has been operating for nearly five years.

UAPT with its business system will compete with Dun & Bradstreet which is spending more than £20m on a similar system. UAPT has developed the software itself with the help of Burroughs which supplied the machines.

UK COMPANY NEWS

Laird advances to £10.9m at midway

FIRST-HALF 1984 turnover of the Laird Group rose by £9.73m to £153m and pre-tax profits climbed from £9.52m to £10.86m. In the last full year, the group made a record £21.08m on £305.52m turnover.

At the annual meeting in June, Sir Ian Morrow, the chairman, said the financial position of the company remained strong and, in addition to internal growth and technological advances, it was seeking to utilise its cash to make further acquisitions and broaden its range of activities.

The group's interests cover transport systems, motor components, specialist engineering products and service industries.

The net interim dividend is stepped up from 2.2p to 2.3p per 25p share, payable on December 3—last year, a total of 5p was paid.

Tax for the half year rose from £3.24m to £3.7m and included £1.9m (£1.8m) of overseas tax. Net available profits were £0.88m higher at £7.16m *and after dividends absorbing* £1.8m (£1.73m), the retained surplus came through at £5.36m, against £4.55m.

Wadkin doubled

Wadkin, the Leicester-based woodworking machinery company, has announced pre-tax profits almost doubled from £280,000 to £482,000 for the six-months to June 30 1984. Sales were up from £11.87m to £15.43m, with operating profit after losses from other fixed asset investments, at £680,000 (£458,000).

There is an interim dividend of 2p last year, a single 3p payment was paid.

Earnings per 50p share were 10.04p, compared with 5.83p. There was no tax paid.

Fraser employees, shares may hold key in Lonrho battle

BY JOHN MOORE, CITY CORRESPONDENT

THE BATTLE between Lonrho and *House of Fraser resumed* over the weekend as Lonrho dispatched its circular to shareholders seeking their support in the latest campaign which comes to a climax at Fraser's annual general meeting on September 28.

Lonrho, Fraser's largest shareholder with 29.9 per cent of the stores group's shares, is urging shareholders to vote against the re-election of Professor Roland Smith, Fraser's chairman, and Mr Ernest Sharp, a non-executive director of Fraser.

Lonrho is also seeking shareholders' support for the reappointment of Mr Roland "Tiny" Lonrho's chief executive, as a director of Fraser and the appointment of Mr Paul Spicer and Mr Terry Robinson. Lonrho directors, as directors of Fraser.

Lonrho is also asking Fraser shareholders that they should *vote for a resolution which will* ask the Fraser board not to act in a way which prejudices any possibility of the flotation of Harrods, Fraser's main store, as a separate company while a Monopolies and Mergers Commission inquiry is in progress.

The *Monopolies and Mergers* Commission is investigating Lonrho's long-running battle for influence at Fraser. Lonrho has been attempting to gain the demerger of Harrods from the rest of the group for some time.

Lonrho has hit out against the record of House of Fraser as a company: "since the death of Lord Fraser of Allander in 1966 Fraser has increased its profits about 6 times. Since Mr Rowland joined Lonrho in 1961, it has increased its profits by over 700 times," says the Lonrho circular.

House of Fraser snapped back *yesterday: "Lonrho are about* the last people who should comment on any other company's financial performance. Lonrho's earnings on shareholders' funds have dropped by a half since 1977 and their earnings per share have dropped by a third over the same period. Their recent record is appalling. House of Fraser by comparison is a star performer."

The resolutions which are to be put before shareholders at the annual meeting require only simple majorities. Lonrho has 29.9 per cent of the equity but it is estimated that the group could gain other support amounting to 12 per cent of the shares. If the level of absetntions is high enough the result may be very close in the latest campaign.

Over the weekend, House of Fraser sent out voting cards to members of its employees' profit-linked share plan. The trustees have told employees that unless *they receive instructions to the* contrary that they intend to vote against the resolutions appointing the two extra Lonrho directors and the resolutions regarding the board's action on the future of Harrods.

The trustees have said that these resolution could "restirct the normal powers of management of the House of Fraser board. In any event, the trustees remain firmly of the view that a de-merger of Harrods would not be in the best interests of participants."

Shares of the profit-linked share plan amount to around 4.5m representing around 3 per cent of the Fraser equity. They are likely to represent a crucial factor in the outcome in the battle.

Checkpoint Europe for USM

BY WILLIAM DAWKINS

Checkpoint Europe, a supplier of electronic security tags and safes, expects to join the Unlisted Securities Market by the end of October.

The Jersey-incorporated company's shares are currently traded on an occasional matched bargain basis under the Stock Exchange's Rule 163 (2). It plans to join the USM via an introduction, and will be raising no new capital.

Checkpoint distributes soft and hard tags capable of being concealed on all kinds of retail goods. It has recently started to make the antennae and control modules to operate its system for detecting shoplifters electronically.

The tags themselves are made by Checkpoint Systems Inc of the U.S., which has no connection with the group, other than a franchise agreement. About 40 per cent of the U.S. group's sales are made to Checkpoint Europe.

The European company's taxable profits slipped from £701,000 to £228,000 in the year to last March, chiefly because the strength of the dollar added £200,000 to the cost of buying tags and equipment from the U.S. It is now building up a local manufacturing base, and the group's stockbrokers, Northcote & Co, expect profits to recover to £825,000 in the current year.

Checkpoint has more than 1,000 systems installed in major retail chains in France, Spain, Belgium, West Germany and Switzerland, where it aims to have between 5 and 8 per cent of the security tag market. It has just started to market its products in the UK.

The shares were recently traded on the Rule 163 (2) market at 200p, where Checkpoint is capitalised at £8m.

Keep surges to £0.64m

Keep Trust, investment and motor distribution concern, announces pre-tax profits more than doubled to £635,000 for the half year to June 30 1984, against £236,000.

Profits in all the company's activities during the first six months have improved over those of the corresponding period last year. Turnover amounted to £31.5m, compared with £28.3m.

The directors are expecting the second half of 1984 to show greater profits than the first, but the proportion between the two halves will be more evenly balanced than last year.

Following the better results an interim dividend of 0.38p will be paid, and barring unforeseen circumstances the directors are hoping for a final dividend of not less than the 0.38p paid last year. There was no interim dividend in 1983.

Tax accounted for £222,000 (nil) and retained profits this time, after dividend pay-out, will be £253,000 (£227,000), with earnings per 5p share at 1p compared with 0.6p last time.

In 1983 the company returned to the black with pre-tax profits of £1.09m, compared with a loss of £441,000 in 1982.

BOARD MEETINGS

The following companies have notified dates of board meetings to the *Stock* Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Bridgwater Estates, Richard Clay, Desoutter Brothers, Low and Bonar, Micro Business Systems, Ramco Oil Services, Rockware, Systems *Reliability, Talbot Motor.*

Finals:—Murray Ventures, Our Price.

FUTURE DATES

Interims:—

Bemrose	Sept 13
Blockleys	Sept 12
British Aerospace	Sept 11
Canning (W.)	Sept 17
Falcon Resources	Sept 11
Fisher (James)	Sept 12
Foseco Minsep	Sept 26
HB Electronic Components	Sept 17
Molins	Oct 8
Quick (H. and J.)	Sept 12
Rio Tinto-Zinc	Sept 19
Silkolene Lubricants	Oct 4
Watts, Blake, Bearne	Sept 21

Finals:—

Celtic Haven	Sept 13
London Shop Property Trust	Sept 13
Sirdar	Sept 12

F.T. Share Information

The following securities have been added to the FT Share Information Service:

Edinburgh Investment Trust Warrants (Section: Investment Trusts)

European Ferries Group Pref. Shares (Industrials)

Falcon Resources (Oil and Gas)

Gaunt (Rowland) (Drapery and Stores).

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
‡95	F.P.	31/8	110	103	✥Alphameric 5p	104	......	0.7	5.2	1.0	24.4
‡75	F.P.	7/9	89	81	✥Blue Arrow	87	......	bg1.2	5.2	2.0	11.5
‡82½	F.P.	15/8	86	65	✥Britannia Sec G 10p	80	......	u1.0	3.8	1.8	18.3
*120	F.P.	23/8	126	123	✥Compsoft Hdgs. 5p	125	......	g1.5	3.0	1.7	28.9
¶185	100	12/9	106	92	Enterprise Oil	102	+2	b7.0	3.2	5.4	8.4
58	F.P.	31/8	50	48	✥EntertainProdSer5p	48	......	b2.25	2.1	6.7	8.4
105	F.P.	5/10	150	140	✥Extract Wool 50p	140	......	bg7.95	2.2	5.8	17.0
‖	F.P.	—	34	30	F.&C. Pacific InvWrrts	34	......	—	—	—	—
160	F.P.	24/9	220	185	Great Western Res. ‖	195	......	—	—	—	—
‡47	F.P.	3/10	49	45	✥Hoggett Bowers 5p	46	......	bg10	6.1	3.1	7.6
‖	F.P.	—	140	120	✥Ind. Scot. Energy £1	125	......	—	—	—	—
‖	F.P.	—	£14	£13⅛	Inv. AB Beijer 'A'SK.50	£12½	−⅛	7.0	b4.8	2.6	15.7
168	F.P.	28/9	181	170	Jaguar	180	+2	b7.75	2.	6.9	7.6
‡214	F.P.	—	295	242	PWS Intnl. 10p	290	−2	9.0	2.7	4.4	10.8
132	F.P.	16/8	133	127	Sarasota Tech'gy 10p	133	......	g1.9	4.1	2.0	17.2
‡55	F.P.	19/8	58	56	✥Tinsley (Eliza) 5p	57	+1	u2.69	2.4	7.2	6.5
¶¶	F.P.	12/10	85	84	Young (H)	84	......	—	—	—	⊕

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price £	+ or −
100	F.P.	4/1	103½	100¾	Amer. Brands 12½% Un. Ln. 2009	100¾	......
‡99.00	£10	10/1	9½	8½	BristolWaterworks 11¾%Red.Deb.2004	8½	......
‡100	£10	26/10	21	10½	Cambridge Water 13% Red. Deb. 2004	17	......
‡96.671	F.P.	1/10	97¼	96	Edinburgh Inv. Tst. 11⅛% Deb 2014	96¾	+⅛
99.161	£30	17/1	30⅛	28⅝	Intl. Bk. for Recon. & Dev. 11⅞% Ln. 2003	29⅝	+⅛
‡98.152	£25	22/11	28¾	32	Marley 11⅞% Deb. 2009	27⅞	......
—	F.P.	—	100⅞	99⅞	Nationwide 12¼% 5/8/85	100¼	−⅛
—	F.P.	—	100	99¼	" 11¼% 27/8/85	99¾	+½
—	F.P.	—	100	99½	" 11⅛% 9/9/85	99⅞	+⅛
‡100	F.P.	5/9	103½	100½	Portsmouth Water 13% Red. Deb. 1994	103	+⅛
‖	F.P.	10/9	96	92	TR Energy 8% Cnv. Uns. Ln. '97-2001	92	−4
‖	Nil	14/9	56ppm	24ppm	Trans-Natal Coal 12.7% Uns. Cnv. Deb	24ppm	......
‡100	£10	27/9	13½	10½	York Waterworks 13% Red Deb. 1994	13	+½

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984 High	1984 Low	Stock	Closing price	+ or −
†133	F.P.	20/9	140	133½	✥Applied Botanics Units	138	......
A$3.7	F.P.	31/8	320	285	ANZ A$1	310	+2
50	Nil	28/9	5pm	½pm	✥Gaunt (Rowland)	2pm	+2
110	F.P.	26/9	33pm	18pm	✥Ind. Scotland Energy £1	18pm	......
4	F.P.	14/9	4⅛	2⅛	LOFS Pfd. Ord. 1p	3¼	......
40	Nil	—	6pm	4pm	Morley (R.H.) 10p	6pm	......
200	F.P.	7/11	490	475	NatWest Bank £1	478	......
90	F.P.	28/9	120	105	Norton Opax 10p	118	+3
A$4	A$2	7/9	308pm	122pm	Santos A0.25c	308pm	+3
192	F.P.	12/10	266	252	Unitech 10p	265	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital: cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1984. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮▮ Allotment letters (or fully-paid). ‖‖ Introduction. ✥ Unlisted Securities Market. ‡ *Placing price.* † *Units comprising 8 Ord. £1 nom 12 per cent Cnv.Uns.Ln. 95/2000.*

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Aberdeen Constructn	Sept 27	Interim 2.1	*Home Charm	Sept 11	Interim 0.75
*AB Ports	Sept 13	Interim 3	*House of Fraser	Sept 18	Interim 2.5
*Aurora	Sept 12	Interim nil	*Ibstock Johnsen	Oct 8	Interim 1.75
BAT Induets	Sept 21	Interim 3.375	*Inchcape	Sept 27	Interim 7.15
*BTR	Sept 12	Interim 6.	Laing (J.)	Sept 29	Interim 1.25
*Bank of Scotland	Sept 25	Interim 11.5	*Laing Properties	Oct 2	Interim 2.25
Barratt Devs	Sept 20	Final 5.31	Laporte	Sept 21	Interim 4.0
Bell (Arthur)	Oct 4	Final 2.85	*Legal and General	Sept 12	Interim 6
*Bowater	Sept 13	Interim 3.5	*London Merchant Secs	Sept 11	Final 1.05
*Bowthorpe	Oct 9	Interim 1.84	*London Shop Prop	Sept 13	Final 3
Brent Chems	Sept 18	Interim 0.8	Menzies (J.)	Sept 22	Interim 2.0
*British Aerospace	Sep 11	Interim 3.5	Mills and Allen	Sept 28	Final 9.0
British Home Stores	Oct 19	Interim 1.75	*Morgan Crucible	Sept 14	Interim 3.5
*Brixton Estate	Sept 18	Interim 1.9	Mowlem (John)	Oct 13	Interim 2.2
Brooke Bond	Oct 18	Final 2.85	NEI	Sept 29	Interim 1.65
*Brown Boveri Kent	Sept 13	Interim 1	*Prudential	Sept 13	Interim 5.5
*Burmah Oil	Sept 13	Interim 3.5	*RMC	Sept 28	Interim 4.1
*Canning (W.)	Sept 17	Interim 0.5	*Ransomes Sims and Jeffries	Sept 17	Interim 5.0
Charterhall	Sept 22	Final 0.3	Rayback	Aug 25	Final 0.25
Charterhouse Group	Sept 1	Interim 2.625	*Reuters	Sept 13	Interim due
*Coats Patons	Sept 19	Interim 1.5	*Rio Tinto-Zinc	Sept 19	Interim 6.0
Comb English Stores	Sept 27	Interim 1.49	*Rowntree Mackintosh	Sept 20	Interim 3.2
*Consolidated Gold Fields	Sept 18	Final 16	Rugby Portland Cement	Oct 3	Interim 2.7
*Costain	Sept 12	Interim 5.5	Scottish Met Prop	Oct 12	Final 2.0
Currys	Oct 3	Interim 1.4	Sears	Oct 4	Interim 0.7
*DRG	Sept 26	Interim 3.0	*Simon Eng	Sept 17	Interim 4.0
*Dalgety	Sept 17	Final 11.0	Superdrug	Sept 29	Interim 1.4
Debenhams	Oct 7	Interim 2.2	Steetley	Sept 22	Interim 4.0
*Delta	Sept 13	Interim 1.82	*Tarmac	Sept 17	Interim 3.8
Dunlop	Sept 22	Interim nil	Telephone Rentals	Oct 19	Interim 2
Eastern Produce	Sept 28	Interim 1.5	*Travis and Arnold	Sept 24	Interim 1.68
*European Ferries	Sept 13	Interim 1.1	*Turner and Newall	Sept 13	Interim 0.25
*Expamet Intl	Sept 12	Interim 2.0	UEI	Oct 14	Interim 2.0
Fisons	Sept 19	Interim 6.0	*Utd Biscuits	Sept 12	Interim 2.7
*Foseco Minsep	Sept 26	Interim 2.65	*United Newspapers	Sept 25	Interim 5
Freemans	Oct 3	Interim 1.9	*Vickers	Sept 27	Interim 3.0
*Genl Mining	Sept 13	Final 55c	*Willis Faber	Sept 11	Interim 6
Gerrard and National	Oct 20	Interim 3	Wimpey (Geo.)	Sept 29	Interim 0.85
Glaxo	Oct 10	Final 6.25	Woolworth	Sept 14	Interim 2
Grattan	Sept 29	Interim nil			
Hambro Life	Oct 5	Interim 4.7			
Hammerson Prop	Oct 14	Interim 3.0			
Harrisons and Crosfield	Oct 18	Interim 8			
Hawker Siddeley	Oct 19	Interim			
*Hickson Int	Sept 13	Interim 3			
Higgs & Hill	Oct 5	Interim 4.0			

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

FINANCIAL TIMES STOCK INDICES

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Sept. 3	Aug. 31	1984 High	1984 Low	Since Compil'at'n High	Since Compil'at'n Low
Government Secs.	79.49	79.01	78.89	79.43	79.84	79.75	85.77	75.72	127.4	49.18
Fixed Interest	82.73	82.55	82.56	82.85	82.93	83.21	87.48	80.43	150.4	50.53
Industrial Ord.	851.7	848.9	839.9	838.3	865.1	863.7	922.8	755.3	922.8	49.4
Gold Mines	533.2	531.9	527.3	540.3	561.4	565.4	711.7	485.7	734.7	43.5
FT-Act All-Shares	518.56	516.67	512.34	513.17	531.63	530.47	536.71	464.84	536.71	61.92
FT-SE100	1099.3	1095.3	1082.6	1083.7	1105.3	1103.9	1141.6	986.9	1141.6	986.9

UK COMPANY NEWS

Development costs and Steinbock losses take toll on Lancer Boss

PRE-TAX profits of the Lancer Boss lift-truck group fell by about £1m to £1.29m in the year to March 31, although retained earnings rose to £1.36m, against £1.17m.

The company attributed the pre-tax fall to heavy development costs and the effect of the acquisition in August 1983 of Steinbock, the loss-making German lift-truck manufacturer.

Further rationalisation and model launches mean no improvement in results are expected this year. But profits should not fall, Sir Neville Bowen-Shaw, the chairman, said.

In all the circumstances the group profits were satisfactory, Sir Neville stated. He expected Steinbock to be brought back to profit by next March, but financial benefits from the acquisition, as well as rationalisation and investment in new products would not be evident until 1986.

UK sales, which rose by 40 per cent last year, are expected to increase, but exports could still be uncertain because of cuts from Opec countries. Even these should recover, however, and the annual results did not reflect improvements in other markets, Sir Neville said.

Steinbock activities are included in the Lancer Boss balance sheet from January 1, and are the main reason for a substantial increase in fixed assets, stock, debtors, creditors and borrowing from foreign banks. Funds employed increased by £13m to £38.1m and after taking into account the Steinbock takeover, the group generated an increase in net liquid funds of £2.1m.

Earnings per share rose to £4.55 compared with £3.91, but the private company retains profit rather than paying dividends.

The group is banking on the implied stability created by its boost into the world's top 12 lift-truck producers and the promise of the widest product range in the business through its Steinbock takeover. Sir Neville said this had already helped to pull top Continental dealers from Japanese opposition.

Moray Maltings up to £1.1m

THE CLOSE monitoring of costs and the progress being made in non-malting activities has resulted in Moray Firth Maltings increasing its first half profit to £1.09m, against £941,000.

Home market deliveries of malt in the period to June 30 showed no growth, and trading in export markets was "not easy," particularly Nigeria where new import licensing regulations have meant a slow down in deliveries. Turnover of this USM company fell from £15.28m to £14.07m.

Outstanding malt contracts for delivery during the rest of the year support the hope that full year results will again show a "reasonable increase," and the directors are lifting the interim dividend from 1p to 1.75p net. But the forecast can only be attained if customers, particularly in export markets, fulfil their contract by accepting delivery prior to the end of December.

After tax £63,000 (£44,000) and minorities £25,000 (£10,000), the net attributable for the half year was £1m (£887,000) for earnings of 15.7p (13.8p) per share. Scottish and Newcastle Breweries has a near 30 per cent stake in the company.

At August 31, after completing the discharge of the special harvest facility, the group bank borrowings were £1.5m. Maltings barley prices for the current harvest are down, which will reduce future borrowings and malt prices for new contracts. This is the first time for several years that prices have fallen.

The Australian project to build a joint malting plant in Geelong continues to move forward with much detailed planning and with all necessary consents now received.

APPOINTMENTS

Senior post at Revlon Health Care

Mr John Michelmore has been appointed group director of REVLON HEALTH CARE (UK), embracing the Armour and Berk pharmaceutical companies. He will have overall responsibility for home and export markets and for manufacturing.

*

Mr J. Mingay, a director of ARCHBOLD FREIGHTAGE, has been appointed North Eastern area director.

*

TATE & LYLE has appointed Mr Tony Stanton divisional managing director of Tate & Lyle Transport. Prior to joining Tate & Lyle earlier this year, Mr Stanton was managing director of Cory Distribution, a subsidiary of Ocean Transport & Trading. Mr Stanton replaces Mr David Walder, who has taken up a new appointment in Jamaica where the Tate & Lyle Group is providing management services expertise to the sugar industry.

*

LINK HOUSE ADVERTISING PERIODICALS, a subsidiary of Link House Group, has made the following appointments: Mr Len Hunnings, managing director, becomes chairman and chief executive and Mr Nigel Donaldson joins as managing director. Mr Donaldson was managing directoro f Computacor.

*

Mr David Hood has been appointed export sales director of IDEAL STANDARD. He succeeds Mr Geoffrey Searle, who has become self-employed.

*

Mr Raymond Molekamp has been appointed as export sales director of ATHENA INTERNATIONAL from October 1. He has been employed by the company as European sales manager during the past two years. Mr Dave Currey, chief executive of Gallery Editions, the Canadian subsidiary, will also join the board of Athena International on October 1. Athena International is a wholly-owned subsidiary of Pentos.

*

After more than 20 years as head of the AGATE CONSTRUCTION GROUP, chairman, Mr Brian Holmes, is to step down. The new chairman is Mr David Reeves, who first joined the company in 1983. Mr Neil Cunningham has been made group managing director. He will continue as managing director of the Agate construction division. Mr Holmes is the major shareholder in Agate and will remain as a consultant to the group.

*

Mr F. A. Parker will continue as chairman of BRITISH VITA after his retirement at the end of this month. Mr Parker, who joined Vitafoam in 1954, will also remain a director of Vita International and continue as non-executive chairman of the group's self administered pension funds. Mr Herbert Houghton has resigned as a non-executive director.

*

THE POST OFFICE has appointed Mr Michael Maister director of parcels product management from October 15, with responsibility for product development, business volume, revenue and profitability of the pracels service and Royal Mail Premium Services. He was previously senior marketing manager, Beecham Toiletries.

*

Mr Barrie Millicon has been appointed director and general manager of the nuclear and general engineering division of FAIREY ENGINEERING at Stockport. He was head of the engineering division at the UKAEA Dounreay nuclear power development establishment.

*

BRITISH ALCAN ALUMINIUM has appointed Mr Dudley G. Eustace as director of finance. Mr Eustace was treasurer of the parent company Alcan Aluminium, Montreal.

*

Mr Peter J. Grant, chairman of Sun Life Assurance Society, and vice chairman of Lazard Brothers and Co., has been appointed a non-executive director of LONDON MERCHANT SECURITIES.

*

Mr Harry Allibon, who recently retired as regional general manager, Birmingham, has been appointed from October a regional director of the Birmingham and West Midlands regional board of LLOYDS BANK.

*

ORION ROYAL BANK has announced the appointment of Mr David Beale as a managing director in charge of investment management. Mr Beale's career to date has been with Commercial Union. He was joint investment manager from 1972-1979 and investment manager, international, from 1979 until 1983. Most recently he has held the position of group financial controller.

*

Mr Derek J. Maule has been appointed managing director of BRAY LECTROHEAT, a member of Bray Technologies. For the past seven years he has been the managing director of Integrated Photomatrix.

Closing prices, September 7

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	13¼	AAR	.48	2.1	23	142	22⅞	22½	22⅝	+ ⅛
22	13½	AMCA	n	1	6.6	10	15¼	15¼	15¼	− ⅛
18⅞	13⅛	AMF	.50	2.9	157	832	17½	17	17¼	− ⅜
41½	24¼	AMR			4	7572	26	25⅜	25⅝	+ ⅛
20⅞	16	AMR	pf2.18	11.		7	19⅞	19⅝	19⅝	− ½
41½	27½	AMR	pf2.13	7.5		457	28⅝	28	28½	+ ⅜
25½	22⅞	ANR	pf2.67	11.		2	23¼	23¼	23¼	− ½
55⅞	40⅜	ARA	2.10	4.0	11	3287	54¼	52	52⅞	+ 1¼
68⅞	44¼	ASA	3a	5.9		351	52⅞	51¼	51¼	− 1¼
30¼	16½	AVX	.32	1.3	15	283	23⅝	23½	23⅝	− ⅛
53⅞	38¾	AbtLab	1.20	2.6	15	1697	46⅞	45½	45½	− 1
35⅛	23⅛	AccoWd	.66	2.0	19	2	32¼	32¼	32¼	− ⅛
27¼	12½	AcmeC	.40	2.5		35	16	15⅝	15⅞	
12⅛	8¼	AcmeE	.32b	3.4	15	10	9½	9½	9½	
24⅞	11	AdmDg	.04	.2	9	26	16⅜	16⅛	16⅜	+ ⅛
18¼	15	AdaEx	2.11e	13.		19	16¼	16⅛	16¼	+ ⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, September 7

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅛	10¼	WyleLb	.32	2.0	10	59	16½	15⅞	16	
21	16½	Wynns	.60	3.4	9	34	17½	17⅛	17½	
		X-Y-Z								
52⅞	33¾	Xerox	3	8.1	10	1809	38¼	37⅛	37⅛	−⅞
51⅛	45¾	Xerox	pf5.45	11		55	47⅞	47⅞	47⅞	+⅞
37	19	XTRA		2.4	10	292	27⅛	26⅝	27	+⅛
34	24	ZaleCp	1.32	4.9	9	56	27½	27	27	−⅜
24⅞	15¼	Zapata	.84	4.2	14	1434	20¼	19⅝	20	−¼
48	28¾	Zayre	.40b	.9	13	970	46½	45¾	46	−¼
38⅝	20	ZenithE			9	3034	25¼	24¾	25	+¼
27⅞	18	Zero	s.36	1.4	19	234	25⅜	25	25¼	+⅛
34	21¼	Zurmn	1.32	5.5	12	284	24¼	24	24¼	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, Closing prices, September 7

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AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

[illegible]

CANADA

TORONTO

Closing prices September 7

[illegible]

MONTREAL

Closing prices September 7

[illegible]

DENMARK

1984 High	Low	Sept. 7	Price Knr. %
480	325	Aarhus Olie	435
362	216	Andelsbanken	245
720	510	Baltic Skand	550
350	207	CopHandelsbank	354
850	590	D. Sukkerfab	625
535	205	Danske Bank	251
218	165	East Asiatic	178
1,250	850	Forenede Brygg.	870
153	95	Forenede Damp.	95
700	445	GNT Hldg	480
725	460	I.S.S.B.	460
760	443	Jyske Bank	459
3,150	1,905	Novo Ind.	1,906
372	203	Privatbanken	225
370	283	Provinsbanken	309
300	200	Smidth (F)	200
1,375	955	Sophus Berend	960
588	438	Superfos	447

FRANCE

1984 High	Low	Sept. 7	Price Frs.
1,999	1,670	Emprunt 4½% 1973	1,710
10,020	9,050	Emprunt 7% 1978	9,065
3,969	3,320	CNE 3%	3,565
578	497	Air Liquide	537
452	375	BIC	452
836	560	Bouygues	637
2,885	2,401	BSN Gervais	2,695
1,558	1,012	CIT Alcatel	1,180
1,915	1,005	Carrefour	1,586
976	774	Club Mediter	956
720	522	CFAO	666
585	427	Cie Bancaire	558
262	207	Cofimeg	226
1,040	780	Darty	1,040
941	593	Dumez S.A.	727
598	488	Equx (Cie Gen.)	539
278	179	Elf-Aquitaine	239.5
706	637	Gen.Occidentale	706
97.4	63.9	I.M.E.T.A.L.	88.3
393.5	300	Lafarge-Coppee	346.4
2,600	2,101	L'Oreal	2,530
2,340	1,778	Legrand	1,940
357	190.0	Maisons Phenix	204
2,050	1,300	Matra S.A.	1,601
1,084	740	Michelin B.	857
1,713	1,372	Midi (Cie)	1,705
1,757	1,313	Moet-Hennessy	1,745
140.5	90	Moulinex	101.9
56.2	43.7	Nord Est	49.5
845	662	Pernod Ricard	815
574	462	Perrier	517
313	184.5	Petroles Fra.	229.5
257.8	179.5	Peugeot-SA	221
73.9	37.6	Poclain	53.5
174.2	130.2	Printemps (Au.)	156.4
410	243	Radiotech	279
1,340	1,000	Redoute	1,152
1,495	726	Roussel-Uclaf	1,495
275	236	Sefimeg	257
1,520	1,180	Skis Rossignol	1,455
1,745	1,470	Telemech Elect	1,845
348	239	Thomson (CSF)	351
356	205	Valeo	238

GERMANY

1984 High	Low	Sept. 7	Price Dm
109.8	80	AEG-Telef.	95.5
906	725	Allianz Vers	906
179.2	146.5	BASF	154.4
186.5	152.2	Bayer	168
304	247	Bayern-Hypo	273
358	287	Bayern-Verein	307
316	219	BHF-Bank	243
453	290.5	BMW	378
247.5	194	Brown Boveri	198.7
190	136.5	Commerzbank	151
141.8	107.4	Conti Gummi	117.8
638	515	Daimler-Benz	532.5
412	338	Degussa	352
192.5	136.5	D'sche Babcock	158
383.6	302.1	Deutsche Bank	328.5xr
182.8	138.5	Dresdner Bank	158
159.6	126.5	GHH	139.5
623	450	Hochtief	496
195.5	155.5	Hoechst	170.7
132.5	87.6	Hoesch Werke	98.3
466	375	Holzmann (P)	375
203	151	Horten	168.5
275	191.2	Kali und Salz	234
283	219.8	Karstadt	237
269.8	188	Kaufhof	217
284.5	212	KHD	235
70	47.9	Kloeckner	60
94	72	Krupp	80
418	336	Linde	360
170.5	133	Lufthansa	159
155.5	125	MAN	143
165	131.8	Mannesmann	146.8
561	449	Mercedes Hld.	471
249	200	Metallgesell.	202.5
1,370	910	Muench Rueck	1,099
288	216.5	Preussag	248
188.8	152.5	Rhein West Elect	154
291	227.5	Rosenthal	229.5
386.5	317	Schering	365
417.9	353.5	Siemens	402.9
94.5	69.3	Thyssen	76.5
190	160	Varta	176.5
185	169.5	Veba	163.5
127.9	108.5	V.E.W	114.2
335	285	Verein-West.	291
231.8	163	Volkswagen	172.6

AUSTRALIA

1984 High	Low	Sept. 7	Price Aust. $
5.93	4.27	ANZ Group	4.78
1.80	1.45	Acrow Aust	1.6
0.98	0.50	Alliance Oil Dev.	0.98

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

NORWAY

1984 High	Low	Sept. 7	Price Kroner
190	142.5	Bergens Bank	149
340	215	Borregaard	285
190	145.5	Cristiania Bk	147.0
188.5	145	Den Norsk Credit	148
187.5	115	Elkem	126
347	253	Norsk Data	320
687.5	512.5	Norsk Hydro	637.5
272.5	186	Storebrand	197.5

NETHERLANDS

1984 High	Low	Sept. 7	Price Fls
215	153	ACF Holding	177
146	107	AEGON	117
236	168.5	Alhold	196.3
123.2	77	AKZO	92.3
445	202	ABN	291
183	141.9	AMEV	163.5
82	51.6	AMRO	54.8
222	167	Bredero Cert	178.5
52	17.5	Bos Kalis Westm.	17.5
75	61	Buehrmann-Tet.	64
41.5	31.2	Calland Hldgs	31.2
70.5	43	Credit Lyon'is Bk	54.3
99	73	Elsevier-NDU nv.	95
173.6	130.7	Gist-Brocades	166.5
157	116	Heineken	140.5
60.9	41.5	Hoogovens	56.8
32.7	22.6	Hunter Douglas	29.1
44.8	32.6	Int-Mueller	38.8
232.6	149.8	KLM	176
48.4	34.1	Naarden	42.5
243.3	196	Nat Ned Cert	226.6
40	38	Ned Cred Bank	40
198	123	Ned Mid Bank	135.5
144	99.7	Nedlloyd	144
265.5	212	Oce Grinten	239.5
34.5	24.4	Ommeren (Van)	24.6
77	53	Pakhoed	59.9
52	41.7	Philips	52
4.9	1.6	Rijn-Schelde	1.7
70	58.3	Robeco	64.7
139	130.1	Rodamco	132.3
67.4	55.3	Rolinco	62.3
205	198	Rorento	204.2
166.2	136.2	Royal Dutch	164.3
278.5	232.5	Unilever	277.5
130.8	90	VMF Storv	124.8
169.5	137	VNU	167.5
145.5	72.5	West Utr Bank	88.3

SWEDEN

1984 High	Low	Sept. 7	Price Kronor
400	330	AGA	355
303	212	Alfa-Laval	215
480	280	ASEA (Free)	382
590	365	Astra	475
141	112	Atlas Copco	109
455	365	Boliden	370
531	300	Cardo (Free)	305
192	124	Cellulosa	126
288	238	Electrolux B	247
390	297	Ericsson	355
370	275	Esselte	300
575	220	Mo Och Domsjo	300
247	153	Pharmacia (Free)	211
600	310	Saab-Scania	550
425	310	Sandvik	412
445	340	Skandia	345
75	55	Skan Enskilda	56.5
222	163	SKF	165
790	652	St. Kopparbergs	700
237	172	Sven Handelsbn.	174
302	220	Swedish Match	228
258	231	Volvo B (Free)	232

SINGAPORE

1984 High	Low	Sept. 7	price $
3.14	1.94	Boustead Hldgs.	2.15
5.20	2.92	Cold Storage	3.5
10.70	7.75	DBS	7.9
6.90	4.95	Fraser & Neave	5.76
6.00	4.62	Genting	5.45
2.91	2.00	Haw Par. Bros.	2.17
3.65	2.56	Inchcape Bhd.	2.77
3.65	2.00	Keppel Shipyard	2.05
10.40	8.05	Malay Banking	9.05
7.10	6.4	Malay Brew	7.05
2.27	1.09	Multi Purpose	1.19
11.80	9.15	OCBC	9.7
5.05	3.94	OUB	4.04
2.87	1.91	Sime Darby	2.17
1.98	1.22	Straits St'mship	1.29
6.95	4.45	Straits Trdg	5.4
5.90	4.30	UOB	4.6

SWITZERLAND

1984 High	Low	Sept. 7	price Frs.
928	650	Alusuisse	750
4,590	3,360	Bank Leu	3,600
1,580	1,240	Brown Boveri	1,350
2,450	2,085	Ciba-Geigy	2,425
2,190	1,655	do. (Part Certs)	1,925
2,385	2,040	Credit Suisse	2,105
2,820	2,290	Elektrowatt	2,520
748	590	Fischer (Geo)	515
4,300	3,400	Genevoise	3,425
112,250	90,000	Hoff-Roche PtCts	93,750
10,900	9,000	Hoff-Roche 1/10	9,350
6,825	5,725	Jacobs Suchard	6,300
1,925	1,700	Jelmoli	1,845
1,600	1,290	Landis & Gyr	1,440
6,600	4,665	Nestle	6,320
1,545	1,030	Oer-Buehrle	1,255
263	245	Pirelli	260.0
7,600	6,460	Sandoz (Br)	7,050
1,225	940	Sandoz (Pt Cts)	1,112
600	460	Schindler (Pt Cts)	580
1,100	900	Swissair	975
365	309	Swiss Bank	329
8,350	7,050	Swiss Reinsce	7,600
1,590	1,320	Swiss Volksbk	1,350
3,650	3,150	Union Bank	3,365
3,270	2,770	Winterthur	2,915
18,900	16,550	Zurich Ins.	17,125

HONG KONG

[illegible]

SOUTH AFRICA

[illegible]

ITALY

[illegible]

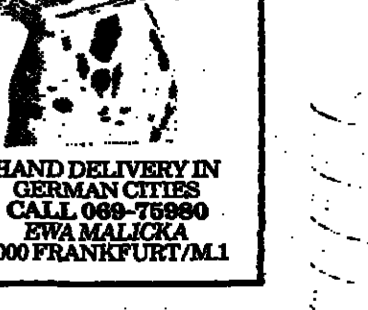
SPAIN

[illegible]

JAPAN

1984 High	Low	Sept 7	Price Yen
1,270	980	Ajinomoto	1,180
2,860	1,850	Alps Electric	2,130
1,410	985	Amada	1,230
642	405	Asahi Chem.	565
819	655	Asahi Glass	779
653	526	Bridgestone	575
1,610	1,070	Canon	1,380
1,630	1,080	Casio Comp.	1,420
1,140	940	Chugai Pharm.	982
709	446	Citizen	538
737	633	Daiei	635
1,180	875	Dai Nippon Ptg	980
553	435	Daiwa House	492
385	307	Ebara	329
1,380	965	Eisai	1,210
10,360	7,385	Fanuc	9,300
1,150	800	Fuji Bank	901
2,310	1,450	Fuji Film	1,670
1,110	752	Fujisawa	1,030
1,390	1,080	Fujitsu	1,310
2,080	1,490	Green Cross	1,670
453	320	Hasegawa	340
684	527	Heiwa Real Est.	541
1,000	780	Hitachi	838
1,930	1,180	Hitachi Credit	1,240
1,490	989	Honda	1,280
899	715	House Food	729
2,350	1,460	Hoya	2,150
340	280	Itoh (C)	284
2,300	1,740	Ito-Yokado	2,150
2,420	1,180	Iwatsu	1,470
404	334	JACCS	340
3,530	2,460	JAL	3,450
884	790	Jusco	824
330	277	Kajima	281
845	660	Kao Soap	740
761	580	Kashiyama	605
625	517	Kirin	547
1,150	890	Kokuyo	965
548	450	Komatsu	460
765	532	Konishiroku	580
339	295	Kubota	316
503	415	Kumagai	460
7,374	5,250	Kyoto Ceramic	6,340
535	380	Maeda Const.	481
1,650	1,080	Makino Milling	1,470
1,320	887	Makita	1,060
415	265	Marubeni	307
700	590	Marudai	609
1,450	1,000	Marui	1,170
2,010	1,430	MEI	1,620
791	602	M'ta Elec. Works	631
1,160	500	M'bishi Bank	905
589	506	M'bishi Corp	562
449	361	M'bishi Elect	405
560	446	M'bishi Estate	468
273	216	MHI	232
390	325	Mitsui Co.	325
778	606	Mitsui Estate	650
406	339	Mitsukoshi	360
862	620	NGK Insulators	830
232	192	Nihon Cement	209
1,630	1,300	Nippon Denso	1,520
1,540	1,050	Nippon Elect	1,280
343	280	Nippon Express	308
1,040	600	Nippon Gakki	939
162	135	Nippon Kokan	141
1,230	835	Nippon Oil	905
663	490	Nippon Seiko	590
704	505	Nippon Shimpan	645
185	144	Nippon Steel	151
365	304	Nippon Suisan	323
16,500	6,990	NTV	11,200
262	215	Nippon Yusen	223
765	500	Nissan Motor	600
631	410	Nisshin Flour	485
232	161	Nisshin Steel	175
950	614	Nomura	700
1,100	830	Olympus	1,070
4,180	2,400	Orient Leasing	3,530
3,850	2,370	Pioneer	2,610
760	615	Renown	627
1,190	809	Ricoh	914
827	655	Sankyo	827
586	456	Sanyo Elect.	511
529	378	Sapporo	409
626	540	Sekisui Prefab	560
9,200	7,270	Seven Eleven	8,810
1,410	991	Sharp	1,090
633	486	Shimadzu	595
770	590	Shionogi	676
1,220	945	Shiseido	1,080
4,000	3,200	Sony	3,550
906	570	Stanley	860
1,250	500	Sumitomo Bank	900
1,000	745	S'tomo Elect	845
582	285	S'tomo Marine	397
196	147	S'tomo Metal	156
568	460	Taihei Dengyo	472
238	202	Taisei Corp	203
1,070	871	Taisho Pharm.	951
795	665	Takeda	757
7,080	4,500	TDK	6,280
456	336	Teijin	395
752	650	Teikoku Oil	695
708	513	Tokyo Marine	580
916	696	TBS	750
1,400	1,040	Tokyo Elect.Pwr.	1,210
188	137	Tokyo Gas	146
850	600	Toyko Sanyo	680
990	691	Tokyo Style	735
368	266	Tokyu Corp.	277
865	654	Toppan Print	850
500	382	Toray	410
445	367	Toshiba Elect.	419
666	530	TOTO	583
860	495	Toyo Seikan	801
1,500	1,200	Toyota Motor	1,390
3,400	1,930	Victor	2,220
823	700	Wacoal	753
630	472	Yamaha	560
1,470	1,140	Yamanouchi	1,420
800	606	Yamazaki	653
385	246	Yasuda Fire	284
475	396	Yokogawa Bdge.	449

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.



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WORLD VALUE OF THE DOLLAR
every Friday in the Financial Times

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 24

Indices

NEW YORK — DOW JONES

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Aug. 31	1984 High	1984 Low	Since Compil'tn High	Since Compil'tn Low
♦Industr'ls	1207.38	1218.68	1209.05	1212.35	1224.38	1286.64 (8/1)	1086.57 (24/7)	1287.2 (8/1/84)	41.22 (2/7/32)
H'me Bnds	68.48	68.34	68.08	68.14	68.58	71.76 (5/1)	64.81 (30/5)	—	—
Transport	507.41	510.09	505.18	510.59	520.51	612.63 (9/1)	444.35 (25/7)	618.63 (9/1/84)	12.32 (8/7/32)
Utilities	129.10	129.78	128.80	128.44	129.46	134.88 (5/9)	122.25 (15/6)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol. 000's	84,110	91,920	69,950	63,110	87,460	—	—	—	—

♦Day's high 1225.59 (1225.08) low 1201.63 (1208.70)

	Aug. 31	Aug. 24	Aug. 17	Year ago (approx)
Industrial div. yield %	4.72	4.67	4.76	4.67

STANDARD AND POORS

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	Aug. 31	1984 High	1984 Low	Since Compil'n High	Since Compil'n Low
Indust'ls	186.68	188.34	186.61	187.43	189.47	196.58 (10/1)	167.74 (24/7)	194.84 (10/10/83)	3.62 (30/6/32)
Comp's'te	164.37	165.65	164.29	164.88	166.68	169.28 (6/1)	147.82 (24/7)	172.75 (10/10/83)	4.40 (1/6/32)

	Sept. 5	Aug. 29	Aug. 22	Year ago (approx)
Industrial div. yield	3.97	3.91	3.91	3.89
Industrial P/E ratio	10.71	11.83	11.81	14.56
Long Gov. Bond yield	12.72	12.64	12.45	11.61

N.Y.S.E. ALL COMMON

Sept. 7	Sept. 6	Sept. 5	Sept. 4	1984 High	1984 Low
94.59	95.30	94.60	94.96	97.71 (8/1)	85.13 (24/7)

Rises and Falls	Sept. 7	Sept. 6	Sept. 5
Issues Traded	1,942	1,973	1,960
Rises	611	1,029	569
Falls	874	462	926
Unchanged	457	482	465
New Highs	—	30	20
New Lows	—	9	11

TORONTO

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	1984 High	1984 Low
Metals & Minerals	1947.7	1974.5	1978.8	1984.5	2524.4 (12/1)	1641.8 (25/7)
Composite	2366.8	2370.7	2388.1	2388.1	2585.7 (6/1)	2079.7 (24/7)
MONTREAL Portfolio	115.80	118.52	115.94	116.93	127.23 (10/1)	100.36 (24/7)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Mid-S.O. Util.	4,538,600	11⅛	+ ⅛	Could	839,300	26½	−1½
Pac. Bas El.	1,018,400	14⅛	− ⅛	IBM	774,500	121⅛	−1⅛
Eastman Kodak	875,300	74¾	−1⅛	Amer. Corp.	756,900	25⅛	+ ⅛
Fannie Mae	864,800	13⅞	+ ⅛	Comw. Edison	750,100	25⅛	− ⅛
Mobil	849,200	29½	− ⅛	Nat. Semi	737,200	14⅞	− ⅛

	Sept. 7	Sept. 6	Sept. 5	Sept. 4	1984 High	1984 Low
AUSTRALIA All Ord. (1/1/80)	725.0	721.0	721.8	729.7	787.8 (9/1)	646.3 (15/6)
Metal & Minls. (1/1/80)	440.2	458.7	441.8	453.8	567.4 (3/1)	404.9 (24/7)
AUSTRIA Credit Aktien (2/1/62)	53.46	53.45	53.40	53.27	56.21 (2/1)	53.20 (15/8)
BELGIUM Belgian SE (31/12/63)	158.30	158.20	157.50	157.86	159.3 (7/8)	135.28 (4/1)
DENMARK Copenhagen SE (3/1/83)	179.27	181.14	182.30	184.51	225.21 (20/1)	179.27 (1/6)
FRANCE CAC General (31/12/82)	175.3	174.4	(u)	173.2	181.7 (3/5)	156.6 (3/1)
Ind Tendance (30/12/83)	114.8	113.4	112.1	112.2	115.0 (3/5)	99.4 (3/1)
GERMANY FAZ Aktien (31/12/58)	342.64	342.09	344.07	344.27	370.94 (2/2)	317.17 (25/7)
Commerzbank (1/12/53)	994.9	994.2	1000.8	1002.4	1096.5 (2/2)	917.7 (25/7)
HONG KONG Hang Seng Bank (31/7/64)	940.55	835.93	846.87	847.02	1170.55 (19/3)	746.02 (13/7)
ITALY Banca Comm Ital. (1972)	213.25	215.21	215.19	215.27	229.57 (1/2)	192.06 (2/1)
JAPAN** Nikkei-Dow (16/5/49)	10600.7	10458.5	10545.55	10609.5	11,190.17 (4/5)	9703.35 (23/7)
Tokyo SE New (4/1/68)	807.35	805.06	810.71	815.56	878.62 (2/4)	750.45 (4/1)
NETHERLANDS ANP-CBS General (1970)	168.0	165.8	165.2	165.5	178.8 (1/2)	146.9 (24/7)
ANP-CBS Indust. (1970)	130.7	130.2	130.8	131.5	147.2 (1/2)	116.7 (18/6)
NORWAY Oslo SE (4/1/83)	261.82	256.44	253.38	255.18	296.70 (9/5)	221.67 (4/1)
SINGAPORE Straits Times (1966)	912.48	(c)	916.43	916.80	1071.31 (2)	867.28 (12/7)
SOUTH AFRICA Gold (1958)	947.3	(u)	946.1	959.0	1075.8 (5/8)	738.1 (24/1)
Industrial (1958)	985.2	(u)	987.1	508.4	1105.5 (25/5)	862.2 (7/8)
SPAIN Madrid SE (30/12/83)	142.93	142.53	142.44	140.11	142.93 (7/9)	101.02 (3/1)
SWEDEN Jacobson & P. (1/1/58)	1471.61	1465.87	1,459.56	1449.78	1594.5 (6/2)	1,288.80 (29/6)
SWITZERLAND SwissBank Cpn. (31/12/58)	377.5	375.5	376.8	379.7	386.5 (3/1)	354.5 (25/7)
WORLD Capital Intl. (1/1/70)	—	181.8	181.4	182.4	190.6 (3/5)	164.8 (24/7)

** Saturday September 1: Japan Nikkei-Dow 10,620.6. TSE 816.69.
Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

CONSTRUCTION CONTRACTS

Ernest Ireland busy with £11m. orders

Contracts totalling £11m have been won by **ERNEST IRELAND CONSTRUCTION** of Bath, part of the Mowlem group. The largest, worth £3.5m, is to build a technical support and distribution centre at Pipers Way, Swindon, for Intel Corporation (UK). The 12-month contract, which has just started, is phase two of a four-phase development on Intel's 13-acre site. The work centres around the construction of a steel-framed brick-clad building of 5,500 sq metres which will be part distribution area and part two-storey air-conditioned offices. A further part of the contract is the provision of a complex fire-protection system for the whole site.

Also in Swindon, Ernest Ireland is refurbishing two office blocks for Hambro Life Assurance. The project will upgrade the interior finishes in both buildings over a period of 17 weeks. The work is being supervised by the client's premises department.

At Cheddar in Somerset Ernest Ireland is building four slow sand filters covering an area of 9,600 sq metres together with a pumping station and associated pipework. The £1m contract, for the Bristol Waterworks Co, is due for completion at the end of this year.

In Bristol a Mercedes Benz sales and service facility is being constructed at Ashton Gate for Normand, part of the Allied Lyons group. The work, valued at £670,000, is due for completion in October. In the Kingswood area of Bristol, Ernest Ireland has been awarded a £403,000 contract by the County of Avon to build a youth club with activities area and associated external works. At Bristol University the company has won a £349,000 contract to restore an existing building and erect a single-storey extension which is to be used as a lecture room.

£6.9m batch for Whyatt

Both the private and public sectors feature in a list of contracts together worth in excess of £6.9m recently awarded to **WHYATT**, the London based construction arm of Sir Alfred McAlpine and Son. A £1.45m fitting out contract has been won at Streatham for Safeway Foodstores, following the completion of the shell phase together with additional car park extension works, valued at £133,000, at Addlestone, Surrey. At Islington, London, a £1.86m scheme of 52 houses and maisonettes with 15 old persons dwellings in seven two- and three-storey blocks is to commence for the New Islington and Hackney Housing Association, together with the construction of 47 houses and eight flats at West Dulwich, London for the London Borough of Lambeth with a value of £1.7m. Further contracts include alteration works at the Chase Manhattan Bank in the City, and refurbishment works to the White Tower Restaurant in the West End of London. Sir Alfred McAlpine Homes South has finalised contracts for the construction of three blocks of flats at London, SW16, valued at £500,000, together with conversion of nurses home into nine flats and erection of 20 detached houses at Wimbledon, totalling £1.25m.

★

Contracts totalling £7m have received recently by companies within the **ESPLEY-TYAS CONSTRUCTION GROUP.** Three orders totalling £3m comprise design-and-build contracts for offices and factories in West Thurrock, Poole and Hastings. A £1.5m order has been received for a 68,000 sq ft high-bay warehouse and office project at West Thurrock; for Coastal Aluminium a 44,227 sq ft factory and offices are to be built at Poole and for HCP a factory and offices totalling 50,000 sq ft are to be built at Hastings. A £1.4 order has been received from British Telecom for a telephone engineering centre, comprising stores/workshop, administrative/welfare facilities plus the refurbishment of existing store areas to form a motor transport workshop together with external works at Coventry. A £1m order from the Post Office is for a postal delivery office at Cheltenham, comprising a single-storey steel framed structure plus a two-storey administrative block. Rugby Borough Council has placed a contract valued at £530,000 for 12 sheltered flats, together with communal facilities plus alterations to form 18 flats from 14 existing bed-sit units. A £430,000 conversion and fitting-out contract for a warehouse unit at Cardiff has been secured from Boots.

★

BALFOUR BEATTY CONSTRUCTION has been awarded a £1.7m contract to construct a brick manufacturing plant for Blockleys adjacent to its existing plant at Hadley, Telford. The plant will be one of the most automated brick making factories in Europe and will produce simulated "hand made" facing and special bricks, with a capacity of up to 30m bricks a year. The construction is to be closely coordinated with Kellers of Germany, who are to supply and install the kiln equipment. Work commenced on August 28 with an overall construction period of 44 weeks.

★

ISS CLORIUS has won a series of contracts for building management systems, together valued at over £475,000, from Foster Wheeler, the British Oxygen Corporation and the Midland Bank.

£9m Holiday Inn project

The Wales division of **FAIRCLOUGH BUILDING** has won a £6m hotel contract for a new Holiday Inn in Cardiff's Hayes Bridge Road. It was awarded by Commonwealth Holiday Inns of Canada (UK). Costing a total of £9m, including all fitting out the complex will consist of a 12-storey tower block holding two hundred luxury bedrooms (all with en-suite bathrooms) and a podium containing a conference centre, reception, bars and restaurants. The leisure amenities, also in the podium, will include a swimming pool, jacuzzi, two saunas, a Turkish bath and two squash courts. Fairclough will construct the tower block on an in-situ reinforced-concrete frame, and the podium on structural steel. The Wales division, which will also be responsible for landscaping and drainage, has scheduled completion of the construction contract for May, 1986. Fairclough Building is part of AMEC.

★

RUSH & TOMPKINS has won a £1.3m contract for an office block in New Providence, Bahamas. The two-storey building is a new headquarters for the British American Insurance Company of the Bahamas. Walls are of concrete blocks with fluted external finish, while steel joists support 63mm thick reinforced concrete slabs at first floor and roof level. Total floor area is 1,433 sq metres. Work is expected to take 57 weeks.

★

Cheltenham-based contractors, **FORD & WESTON (SOUTH West)**, have been awarded a major housing scheme by the Church of England Pensions Board. The contract, worth £1.5m is to provide accommodation for retired clergy and dependents at Prestbury, near Cheltenham. Work will include staff accommodation, a chapel and a library. The scheme is expected to be completed by late 1985.

★

SIR ALFRED McALPINE & SON has been awarded a contract worth almost £2.5m by the Welsh Health Technical Services Organisation for construction of a mortuary and pathology department at the Singleton Hospital, Swansea. The four-storey department will be steel framed and cased in concrete with brick and block cladding. Work continues until August 1986.

FT UNIT TRUST INFORMATION SERVICE

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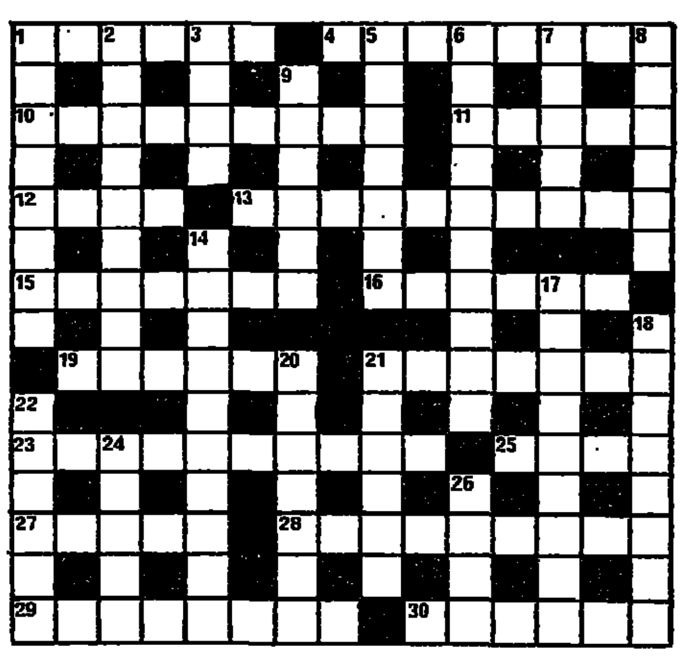
INSURANCES

F.T. CROSSWORD PUZZLE No. 5,513



ACROSS

1 Have a go—it's in gear! (6)
4 Slipway used by old airborne transport? (8)
10 Coasts around saying what the deficiencies are (9)
11 Scour the undergrowth (5)
12 Heave to on ship (4)
13 Casually fit club together (10)
15 In a word, the sort of cheese to go off quickly (7)
16 How width is indicated on flag? (6)
19 Plan to get south by sailing boat (6)
21 Taking a rest, we change clothing (7)
23 Comprehensive and substantial measure (5-5)
25 Leave it as it was the way the engineers left it (4)
27 It's Greek and could be in classic or fully modern style (5)
28 One accepts what has been written by character leading strike (6-3)
29 Reliable source of heat is guaranteed (4-4)
30 Set back by temporary work stoppage (6)

DOWN

1 Laboratory equipment required for experiment underground (4-4)
2 Cuts down on the credit usually available for raising oriental food (9)
3 Unwilling to take chance on husband (4)
5 Re-set or put back differently (7)
6 Experienced history teacher? (4, 6)
7 There's the beginning of parity in foreign currency turnover this month (5).
8 A rudimentary stage will evolve by more adaptation (6)
9 Action entrusted to a representative (6)
14 Cancelled the buffet on the spur of the moment (3, 3, 4)
17 The first thing to do in any restaurant within reach? (3-2-4)
18 Experts can provide reasons, given time (8)
20 Clerk is transferred after he becomes a nuisance at meetings (7)
21 Breaks down and confesses (6)
22 Trousers are left in bags (6)
24 Are runs at the beginning and at the end more difficult to come by? (5)
26 Dried up look about the river (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

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Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas IoM. 0624 25015

Wren Com. Fund	14.9	15 6	....	3 10
Chinese Fund	59 7	62 2	....	1 70
Precious Metal Fund	123 6	128 7	..	8.30
Vanguard Cmdy Fd.	26.2	26 9	....	2.26
Financial Futures Fd.	52 6	54.8	....	—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd	$9.29		−0.09	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
Mallinhall Ltd 36 Berkeley Sq, W1X 5DA. 01-499 6634				
M'hall Mny Fd	9.38	9.72	Qtrl	Call
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	10 19	10.51	6-mth	Call
7-day Fnd	10 67	11.03	6-mth	7-day
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10 03	10.28	6-mth	Call
7-day Fund	10 54	10.81	6-mth	7-day
Money Mngt. Acct.	10 00	10 38	3-mth	Call
Dollar	10.56	10.83	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	10 375	10 79	Qrl	Call
Monthly Inc Chq Acc.	10.25	10.74	Mth	Call
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc	10.20	10.69	Mthl	Call
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.25	10 65	Qtrl	Call
Britannia Grp of Investment Companies 29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	10 375	10 883	Mthl	Call
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	10.25	10 75	Mthl	Call
U.S. Dollar	11 00	11.73	Mthl	Call
German Marks	4.75	4 97	Mthl	Call
Swiss francs	2 00	2 05	Mthl	Call
Japanese Yen	5 00	5.14	Mthl	Call
Choulartons 30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc	11.00	11 57	Mthl	Call
Co-operative Bank 78-80 Cornhill EC3 01-626 6543 Ex 464				
Cheque & Save	8.50	8 77	Qtrl	Call
Over £1,000	10 00	10 38	Qtrl	Call
Dartington & Co Ltd Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc	10 25	10 60	Qtrl	Call
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
Notice Dep	10.75	11 04	Rate	14-day
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	10.30	10.25	Daily	Call
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq	10.00	10 38	Qtrl	Call
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Std. Acc.	9.98	10 50	Daily	Call
Premier Acc.	9.98	10.50	Daily	Call
Tyndall & Co 29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	10.49	10.91	−0 02	Call
Money Acc	10.29	10.65	Qtrl	Chq ?
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	10 50	11 02	Mthl	Call
Over £10,000	10 75	11 30	Mthl	Call

NOTES — Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ◆ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22Aug	22F	Treas. 15pc 1985	101¾	16.7	14.74	10.72
22S	22Mar	Exch. 12pc Cnv. '85	100 xd	16.9	11.93	10.76
21N	21My	Treas 3pc 1985	94	16.9	3.17	11.20
15Jan	15Jul	Treas 11½pc 1985	100	8.6	11.45	10.86
3Mar	3Se	Treas 8¾pcCnv '85	97	30.7	8.95	11.16
22May	22N	Exch. 12½pc 1985	100	16.4	12.14	11.28
25Aug	25Fb	Exch. 11¾pc 86	100	19.7	11.69	11.31
11Oct	11Apr	Treas. 10pcCnv 1986	98	4.9	10.20	11.46
19N	19May	Treas 3pc 1986	90	12.4	3.31	9.14
19Nv	19My	Exch 10½pc Cv '86	98	12.4	10.66	11.54
12Dec	12Jun	Treas 12pc 1986	100	8.5	11.93	11.58
10Ja	10Jul	Treas 8½pc 1984-86‡‡	95	8.6	8.91	11.29
29Ap	29Oc	Exch. 14pc 1986	104	23.3	13.45	11.71
21May	21N	Exch. 2½pc 1986	86	15.4	2.89	9.39
22Jul	22Jan	Exch. 13¾pc 1987	103	15.6	12.86	11.70
10Aug	10Fb	Treas 10½pcCv '87	96	4.7	10.61	11.88
24Aug	24Feb	Exch 2½pc 1987	85	15.7	2.94	9.41
6Oct	6Apr	Exch. 10½pc 1987	97	3.9	10.80	11.80
1N	1May	Funding 6½pc '85-87‡‡	88	26.3	7.34	11.64
12Dec	12Jne	Treas. 10pc 1987	95	8.5	10.46	11.90
14Jan	14Jly	Treas 3pc 1987	83	7.6	3.60	9.84
3May	3Nov	Treas. 12pc 1987	100	27.3	11.99	11.93
26Jul	26Ja	Treas 7¾pc 1985-88‡‡	89	19.6	8.66	11.57
10Nov	10May	Exch 10½pc '88	95	3.4	10.95	11.90
14Dec	14Jne	Treas 9¾pc Cv '88	93	8.5	10.44	11.96
1Jan	1Jul	Transport 3pc '78-88	77	25.5	3.87	10.26
25Ap	25Oc	Treas. 9½pc '88	91	19.3	10.34	11.97
22Aug	22Fb	Treas 11½pc 1989	98	16.7	11.67	11.91
18Oct	—	Treas 9½pc Cnv. '89	91	—	10.34	11.83
14Dec	14Jun	Treas 10½pc 1989	94	8.5	11.08	11.96
1Feb	1Aug	Exch. 10pc 1989	92	25.6	10.78	11.99

Five to Fifteen Years

Over Fifteen Years

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

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O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
		Central African					
Jan	June	Falcon Z50c	150	14.5	Q100c	ф	39.9
Nov.	May	Wankie Col. Z$1	18	25.4	—	—	—
October		Zam Cpr.SBD0.24	36	9.90	—	—	—

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

Industrials					
Allied-Lyons	15	Hawker Sidd	38	Vickers	24
BOC Grp	27	Hse of Fraser	26	Woolworth Hldg.	50
BSR	26	ICI	42		
Babcock	17	'Imps'	12	**Property**	
Barclays Bank	45	ICL	7½	Brit Land	11
Beecham	32	Ladbroke	23	Cap Counties	16
Blue Circle	40	Legal & Gen.	45	Land Secs	25
Boots	16	Lex Service	40	MEPC	25
Bowaters	25	Lloyds Bank	50	Peachey	17
Brit Aerospace	20	'Lofs'	3	Samuel Props	12
BAT	35	Lucas Inds	18	Sterling Guar.	4
Brown (J.)	3	'Mams'	14		
Burton Ord	22	Marks & Spcr	20	**Oils**	
Cadburys	11	Midland Bk	36	Brit. Oil & Min	9
Comm Union	16	NEI	10	Brit Petroleum	35
Courtaulds	11	Nat West Bk	60	Burmah Oil	17
Debenhams	14	P & O Dfd	25	Charterhall	9
Distillers	22	Plessey	20	Premier	6
Dunlop	5	RHM	8	Shell	55
FNFC	6½	Rank Org Ord	24	Tricentrol	29
Gen Accident	42	Reed Intnl	40	Ultramar	60
Gen Electric	16	Sears	8		
Glaxo	70	TI	22	**Mines**	
Grand Met	30	Tesco	16	Charter Cons.	24
GUS 'A'	55	Thorn EMI	55	Cons Gold	58
Guardian	50	Trust Houses	18	Lonrho	12
GKN	20	Turner Newall	10	Rio T Zinc	60
Hanson Tst	17	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 20

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]	[illegible]
Sept	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 6,073 (3,662)
Previous day's open int 13,185 (13,405)

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

STERLING £25,000 $ per £

DEUTSCHE MARKS DM 125,000 $ per DM

SWISS FRANCS SwFr 125,000 $ per SwFr

JAPANESE YEN Y12.5m $ per Y100

FT-SE 100 INDEX £25 per full index point

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

CERT. DEPOSIT (IMM) $1m points of 100%

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

STERLING (IMM) Se per £

	Close	High	Low	Prev
Sept	1.2740	1.2785	1.2740	1.2835
Dec	1.2775	1.2800	1.2710	1.2890
March	1.2795	1.2835	1.2760	1.2920
June	1.2805	1.2910	1.2800	1.2980
Sept	1.2880	1.2980	1.2860	1.3045

GNMA (CBT) 8% $100,000 32nds of 100%

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 10¼.

FOREIGN EXCHANGES

Dollar finds its way

BY COLIN MILLHAM

The dollar rose to DM 2.9950 in New York on Friday, and the level of DM 3.00, which looked virtually unattainable in the near term only a week or so ago, could be breached at any time today. Although there was very little news to spark the sudden and overwhelming demand for the dollar last week, the mood of the foreign exchanges seemed very determined and almost entirely one way.

There was some profit taking on occasions, and the market also kept a watchful eye on the central banks, particularly the German Bundesbank, but there was no sign of any concerted action and without this the market will continue to have its own way.

August had been a very quiet month, with the dollar drifting around on indications that U.S. economic growth had slowed, and this mood continued until New York dealers returned from their long weekend holiday last Tuesday.

On Monday European traders pushed the dollar higher, on speculation U.S. dealers would return as buyers of their own currency, but trading was thin and it was not until the following day the dollar really began its surge.

In a fairly quiet week, as far as statistics were concerned, there was some disappointment that U.S. unemployment in August did not fall below July's 7.5 per cent level, but this had no real impact on the dollar.

The market is now looking ahead to U.S. industrial production figures, due on Friday, and the flash estimate of third quarter gross national product, to be published on September 20.

Both are expected to show that the economy continues to grow quickly, with the GNP figure perhaps not much different from the original 5.7 per cent estimate for the second quarter, which was eventually revised up to 7.5 per cent towards the end of July.

U.S. weekly M1 money supply fell by a surprising $700m according to last week's figure, but with the economy continuing to grow at a fast pace dealers are looking for a rise in U.S. interest rates in the fourth quarter of the year, and this is the key to the higher dollar.

A level of DM 3.00 is an obvious target, taking the dollar to its highest level for over 11½ years, since the floating of exchange rates in February 1973. Where it goes from there is anyones guess, and some dealers still expect the currency to tumble, but the difficult trick is knowing when.

£ in New York

	Sept. 7	Prev. close
Spot	$1.2705-1.2715	$1.2815-1.2825
1 month	0.11-0.13 dis	0.12-0.15 dis
3 months	0.39-0.42 dis	0.37-0.41 dis
12 months	2.25-2.35 dis	2.20-2.30 dis

Forward premiums and discounts apply to the U.S. dollar.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.2735	1.2748	1.2785	1.2827	1.2983
D-Mark	3.8050	3.7888	3.7672	3.7190	3.6485
French Franc	11.6700	11.6738	11.6883	11.7319	11.8650
Swiss Franc	3.1625	3.1474	3.1147	3.0773	2.9948
Japanese Yen	312.25	311.13	308.88	305.85	209.97

BANK OF ENGLAND TREASURY BILL TENDER

	Sept. 7	Aug. 31		Sept. 7	Aug. 31
Bills on offer	£100m	£100m	Top Accepted rate of discount	10.0876%	9.9673%
Total of applications	£439.04m	£415m	Average rate of discount	10.0668%	9.9524%
Total allocated	£100m	£100m	Average yield	10.52%	10.18%
Minimum accepted bid	£97.485	£97.518	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	19%	5%			

THE POUND SPOT AND FORWARD

Sept 7	Day's spread	Close	One-month	% p.a.	Three months	% p.a.
U.S.	1.2715-1.2815	1.2730-1.2740	0.11-0.15c dis	−1.22	0.37-0.42ds	−1.24
Canada	1.6710-1.6780	1.6770-1.6780	0.18-0.27c dis	−1.60	0.57-0.71	−1.52
Nethlnd.	4.2645-4.2950	4.2700-4.2800	1½-1⅛c pm	4.21	4⅞-4½pm	4.44
Belgium	*76.09-76.60*	*76.10-76.15*	*par-5c dis*	*−0.39*	*par-8dis*	*−0.21*
Denmark	13.74-13.79	13.77½-13.78½	½-⅞ore dis	−0.92	2½-3½dis	−0.91
Ireland	1.2250-1.2280	1.2270-1.2280	0.15-0.30p dis	−2.21	0.54-0.78ds	−2.13
W. Ger.	3.7800-1.8211	3.8020-3.8120	1¾-1½pf pm	6.70	5-4¾pm	5.12
Portugal	196.80-198.10	196.90-197.75	235-625esc dis	−26.14	695-1665ds	−23.91
Spain	214.30-215.30	214.50-214.70	55-75pst dis	−3.63	160-195ds	−3.12
Italy	2333¼-2343¼	2333½-2334½	7-10lire dis	−4.37	24-27ds	−4.35
Norway	10.77-10.81½	10.79½-10.80½	2½-2⅞ore dis	−2.77	6½-7½ds	−2.59
France	11.63¾-11.67	11.66½-11.67½	¼pm-¾c dis	−0.19	⅞-2⅞ds	−0.53
Sweden	*10.82-10.88*	*10.81½-10.82½*	*2½-3ore dis*	*−2.98*	*8½-7½ds*	*−2.55*
Japan	312¼-313¼	313¼-313¾	1.16-1.06y pm	4.24	3.48-3.35pm	4.35
Austria	26.65-26.75	26.69-26.74	8½-7⅝gro pm	3.64	26½-24½pm	3.81
Switz	3.1522-3.1725	3.1575-3.1675	1½-1⅛c pm	6.88	4⅞-4½pm	5.88

Belgian rate is for convertible francs. *Financial* franc 76.82-76.88. Six-month forward dollar 0.89-0.94c dis. 12-month 2.20-2.35c dis.

OTHER CURRENCIES

Sept. 7	£	$		£ Note Rates
Argentina Peso	97.89-98.99	76.63-76.72	Austria	26.55-26.86
Australia Dollar	1.5380-1.5400	1.2075-1.2085	Belgium	76.80-77.60
Brazil Cruzeiro	2,721-2,737	2,130-2,141	Denmark	13.73-13.87
Finland Markka	7.8780-7.8936	6.1900-6.1920	France	11.60-11.72
Greek Drachma	150.35-150.75	117.65-117.95	Germany	3.78-3.82
Hong Kong Dollar	10.021-10.031	7.8505-7.8535	Italy	2330-2360
Iran Rial	117.95*	91.00*	Japan	311-316
Kuwait Dinar (KD)	0.37820-0.37865	0.29595-0.29605	Netherlands	4.26½-4.30⅛
Luxembourg Fr.	76.10-76.15	60.00-60.05	Norway	10.78-10.89
Malaysia Dollar	2.9930-2.9990	2.3435-2.3460	Portugal	193-211
New Zealand Dlr.	2.5910-2.5960	1.9940-2.0375	Spain	210-216
Saudi Arab. Riyal	4.5100-4.5150	3.5290-3.5300	Sweden	10.82-10.93
Singapore Dollar	2.7580-2.7640	2.1595-2.1610	Switzerland	3.15-3.18
Sth African Rand	*2.1225-2.1285*	*1.6665-1.6710*	*United States*	*1.27-1.29*
U.A.E. Dirham	4.6925-4.6980	3.6720-3.6730	Yugoslavia	235-260

* Selling rates.

THE DOLLAR SPOT AND FORWARD

Sept 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 60.32-60.37.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.1231	+0.50	+0.50	±1.5447
Danish Krone	8.14104	8.13271	−0.10	−0.10	±1.6425
German D-Mark	2.24184	2.24128	−0.03	−0.03	±1.0642
French Franc	6.87456	6.87952	+0.07	+0.07	±1.4052
Dutch Guilder	2.52595	2.52825	−0.08	−0.08	±1.4964
Irish Punt	0.72569	0.724893	−0.11	−0.11	±1.6699
Italian Lira	1403.49	1380.47	−1.64	−1.64	±4.1505

CURRENCY MOVEMENTS

Sept. 7	Bank of England Index	Morgan Guaranty Changes %
Sterling	[illegible]	[illegible]
U.S. dollar	[illegible]	[illegible]
Canadian dollar	[illegible]	[illegible]
Austrian schilling	[illegible]	[illegible]
Belgian franc	[illegible]	[illegible]
Danish Kroner	[illegible]	[illegible]
Deutsche mark	[illegible]	[illegible]
Swiss franc	[illegible]	[illegible]
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Sept. 7	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian Fr.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr'ch	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Sept 6: 1.31516.

EXCHANGE CROSS RATES

Sept. 4	Pound St'rling	U.S. Dollar	Deutsche m'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.274	3.805	312.8	11.67	3.163	4.275	2334.	1.678	76.13
U.S. Dollar	0.785	1.	2.984	245.5	9.158	2.483	3.353	1830.	1.317	60.03
Deutschemark	0.263	0.335	1.	82.19	3.067	0.831	1.124	613.4	0.441	20.01
Japanese Yen 1,000	3.197	4.073	12.17	1000.	37.31	10.11	13.67	7463.	5.364	243.4
French Franc 10	0.857	1.091	3.260	268.0	10.	2.710	3.663	2000.	1.437	65.23
Swiss Franc	0.316	0.403	1.203	98.89	3.690	1.	1.352	738.0	0.530	24.07
Dutch Guilder	0.234	0.298	0.890	73.16	2.730	0.740	1.	546.0	0.393	17.81
Italian Lira 1,000	0.428	0.546	1.630	134.0	5.000	1.355	1.832	1000.	0.719	32.62
Canadian Dollar	0.596	0.759	2.268	186.4	6.957	1.885	2.548	1391.	1.	45.38
Belgian Franc 100	1.314	1.673	4.998	410.8	15.33	4.154	5.616	3066.	2.204	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 6	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Asian $ (closing rates in Singapore): Short-term 11⅝-11⅞ per cent; seven days 11$^{13}/_{16}$-11$^{15}/_{16}$ per cent; one month 11$^{13}/_{16}$-11$^{15}/_{16}$ per cent; three months 12-12⅛ per cent; six months 12$^{5}/_{16}$-12$^{7}/_{16}$ per cent; one year 12⅝-12⅞ per cent. Long-term Eurodollars: two years 13¼-13⅜ per cent; three years 13¼-13½ per cent; four years 13$^{5}/_{16}$-13$^{9}/_{16}$ per cent; five years 13$^{7}/_{16}$-13$^{11}/_{16}$ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

London nervous, but improving

Interest rates moved nervously on the London money market last week, as dealers tried to judge the impact of Britain's industrial problems and the strong dollar. Attention focused on the dollar/sterling exchange rate, and the fall of the pound to successive record lows against the U.S. currency. This tended to disguise the fact that sterling was performing much better against Continental currencies. The pound benefitted from the *fact that the main attack of* those wishing to buy dollars was against the D-mark, and this dragged down all the other members of the EMS, plus the Swiss franc which tends to keep on a fairly steady level against the German currency.

The industrial scene looked slightly more encouraging at the end of last week than on the previous Friday, as dockers' leaders struggled to keep the ports strike credible, while talks were again promised to try to settle the pits dispute.

This was not much for the market to feed on, but coupled with a growing feeling that sterling was not under as much pressure as the rate against the dollar made it appear, led to a gradual easing back of London interest rates.

Another major factor was the attitude of the authorities and the obvious wish of the Government to see UK interest rates as low as possible. The August money supply figures were regarded as mildly disappointing, but not enough to change the minds of those who feel interest rates are only held at present levels because of high U.S. rates, and not on account of the domestic economy.

The Bank of England was quick to endorse the present rate structure by early intervention on Wednesday, as money market rates moved up, when the pound fell to a record low against the dollar.

Further early assistance at unchanged rates on Thursday and Friday helped to keep the market calm, but by then the initial mood o fpanic had subsided, and rates drifted back a little. Any improvement remains dependent on the industrial situation and sterling's ability to hold steady against currencies in general, even if it must give ground to the dollar.

MONEY RATES

Sept. 7	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.5-5.65	11	3-3	6-6⅛	6.28125	17-17⅜	8.85	11⅛-11¾
One month	5.60-5.75	11$^{1}/_{16}$-11$^{3}/_{16}$	4½-4⅝	6⅛-6¼	6.40625	17-17⅜	11⅛-11⅝	12⅛-12¾
Two months	5.70-5.85	11-11⅛	—	—	—	—	—	12¾-13
Three months	5.75-5.90	11-11⅛	4¾-4⅞	6$^{5}/_{16}$-6$^{7}/_{16}$	6.28125	17¼-17⅝	11-11¼	13-13¼
Six months	5.90-6.10	11⅛-11¼	—	6⅝-6¾	—	—	11-11¼	13⅛-13⅜
Lombard	6.5	—	—	—	—	—	—	—
Intervention	—	11	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Sept. 7 1984	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	*10⅛-14*	*10½*	*10½-10¾*	*10-11¼*	—	—	—	—	—
2 days notice	—	—	10⅝-10½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	10⅝ 10¾	10⅝-10½	10⅞-11	10¼-10½	—	—	—	—	—
One month	10$^{11}/_{16}$ 10$^{13}/_{16}$	10$^{11}/_{16}$ 10$^{15}/_{16}$	10¾	11	10½	10$^{11}/_{32}$	10⅝	10$^{13}/_{32}$	10$^{11}/_{16}$-10⅝	11$^{1}/_{16}$
Two months	10$^{25}/_{32}$ 10¾	10$^{13}/_{16}$-10$^{15}/_{16}$	10⅞	11$^{1}/_{16}$	10⅛-10¼	10$^{9}/_{32}$	10¼	10$^{5}/_{16}$	10¼	10$^{15}/_{16}$
Three months	10⅞-10¾	10⅞-11	10⅞	11⅛	10-10⅛	10⅛	10	10$^{5}/_{16}$	10⅛	10$^{15}/_{16}$
Six months	10$^{15}/_{16}$-10⅝	10⅞ 11$^{1}/_{16}$	10⅞	—	—	—	—	10$^{5}/_{16}$-10⅜	10$^{5}/_{16}$	11
Nine months	10¾ 10⅝	10$^{15}/_{16}$ 11⅛	—	—	—	—	—	—	—	—
One year	10$^{11}/_{16}$-10$^{9}/_{16}$	10$^{15}/_{16}$-11$^{1}/_{16}$	11	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	11¼-11	—	10¾	11.6-11.7	9¾-10	9⅛-9$^{13}/_{16}$
Two months	11¼-11	—	10¾	11.6-11.7	9⅞-10⅛	9$^{5}/_{16}$-9⅜
Three months	11¼-11	—	10⅞	11.65-11.75	9$^{15}/_{16}$-10$^{3}/_{16}$	9$^{5}/_{16}$-9⅝
Six months	11-10¾	—	11	11.85-12.05	10$^{3}/_{16}$-10$^{7}/_{16}$	10-10$^{3}/_{16}$
Nine months	11⅜-11⅛	—	11$^{1}/_{16}$	12.1-12.3	—	—
One year	11⅜-11⅛	—	11$^{1}/_{16}$	12.45-12.65	10⅝-10⅞	10$^{5}/_{16}$-10½
Two years	—	11⅜	—	—	—	—
Three years	—	11½	—	—	—	—
Four years	—	11¾	—	—	—	—
Five years	—	11¾	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period *August 8 to September 4 1984 (inclusive): 10.808 per cent. Local* authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11½ per cent from September 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rate for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.9324 per cent. Certificates of Tax Deposit (Series 6). Deposit £100,000 and over held under one month 11 per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11¼ per cent; nine-12 months 11½ per cent. Under £100,000 10¾ per cent from August 13. Deposits held under Series 5 10¾ per cent. The rates for all deposits withdrawn for cash 7 per cent.

NEW YORK (4 pm)

Prime rate	13
Broker loan rate	12½
Fed funds	11½
Fed funds at intervention	11⅛

Treasury Bills

One month	10.00
Two month	10.45
Three month	10.57
Six month	10.63
One year	10.72

Treasury Bonds

Two year	99$^{15}/_{32}$
Three year	99$^{11}/_{32}$
Four year	102 $^{7}/_{32}$
Five year	99⅞
Seven year	104$^{5}/_{32}$
10 year	99$^{11}/_{32}$
30 year	100⅞

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. September 7)

3 months U.S. dollars	
bid 11 15/16	offer 12 1/16
6 months U.S. dollars	
bid 12 5/16	offer 12 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.